



Daily Report

China

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General

Li Peng Hails FRG, U.S. Aviation Cooperation
OW0207050688 Beijing XINHUA in English
1436 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—China will form a total of six aviation companies in its reform of its civilian aviation industry, Chinese Premier Li Peng revealed today.

So far three have been established, including Air China, the country's largest, which was officially opened this week.

Earlier in the year Southwest Aviation Company of China was started up in Chengdu in Sichuan Province, and recently Oriental Aviation Company of China got off the ground in Shanghai.

Li said the reform will promote prosperity and development of Chinese aviation.

He made the comments during a meeting with senior representatives from Lufthansa Airlines of Federal Germany, Pratt and Whitney Company and Boeing Company of the United States, who came to Beijing for the Air China Company (ACC) opening ceremony at the Great Hall of the People tonight.

Also attending the ceremony were Chinese Vice-Premier Tian Jiyun and State Councillor Zou Jiahua.

Li thanked the three foreign companies for their help and cooperation and hoped the friendly relationship could continue.

"By enhancing international cooperation, Chinese airliners will serve Chinese and foreign passengers better," he said.

The premier also expressed appreciation to designer Pierre Cardin for designing the uniforms of ACC stewards.

ACC is an outcome of the reform of the Beijing bureau of the Civil Aviation Administration of China, the largest state-owned aviation enterprise in China.

The name of ACC was written by senior Chinese leader Deng Xiaoping.

Directory of Export Oriented Enterprises Compiled
OW0207114488 Beijing XINHUA in English
0116 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—A directory on China's export-oriented enterprises will be on sale soon to provide information for foreign businessmen on China's imports, exports and use of foreign capital, reported today's "CHINA DAILY".

The directory lists 5,000 enterprises with good economic performance which were selected from 250,000 throughout China. "These enterprises are competitive in exporting their products and attracting foreign capital," the editors said.

Compiled by Chinese editors, the directory will be printed and circulated by the Kai Yeh Printing and Publishing House of the Federal Republic of Germany.

About 20,000 copies of the English directory are expected to be available in Europe, North America, Japan and South-east Asia in the first half of 1989. The index is in Chinese, English, German, French and Japanese.

Barter Trade With USSR, East Europe To Expand
OW0207160188 Beijing XINHUA in English
1146 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—Local governments have been given the power to sign barter trade contracts with the Soviet Union and the East European countries. Shen Jueren, vice-minister of the Foreign Economic Relations and Trade Ministry said today.

Shen told a meeting of commodity inspectors that eight other measures have been taken to enlarge local governments' power. They are the first of 30 measures to reform the foreign trade system.

For instance, he said, Shanghai was formerly authorized to have barter trade only with Poland and Czechoslovakia. Now the city can trade with more countries.

Trade with Soviet Union and Eastern European countries has grown dramatically in recent years. Sino-Soviet trade alone reached 2.53 billion U.S. dollars last year.

Shen said that five trade ports are open along the Sino-Soviet border and more are expected to be open this year.

Other measures for local governments have included:

- Decentralizing more power to examine and approve foreign trade enterprises;
- Enlarging power for coastal areas to approve projects involving foreign funds worth up to 30 million U.S. dollars;
- Decentralizing power to approve enterprises and trade branches in foreign countries;
- Decentralizing power on issuing export licences;
- Decentralizing power on approving projects for processing and assembling with supplied materials;

—Reducing the limitation on products for processing, assembling with supplied materials and samples and compensation trade;

—Decentralizing power to organize delegations to other countries.

Shen said China will undertake other reforms in finance, taxation, price, foreign currency and customs.

SHIJIE ZHISHI Views Moscow Summit

HK0207032788 Beijing SHIJIE ZHISHI in Chinese
No 12, 16 Jun 88 pp 4-5

[Article by Zhuang Qubing (8369 0637 4016): "What Does the U.S.-Soviet Moscow Summit Show"—first paragraph is SHIJIE ZHISHI introduction—passages in boldface as published]

[Text] Both sides, knowing perfectly well that it was impossible for them to sign a nuclear arms reduction treaty in Moscow, still held the summit meeting as scheduled. This shows that the momentum of detente between the United States and the Soviet Union is still developing. However, since contradictions between them are sharp and the United States and the Soviet Union are antagonistic in nature, the course of detente will by no means means be smooth sailing.

The fourth U.S.-Soviet summit meeting concluded in Moscow on 2 June. The whole world is pondering and probing the significance of the current meeting whose details are difficult to track and study though its general sketch has been transmitted to the world by the media. It seems that what can be credited to the talks between the leaders of the two countries includes the exchange of ratification documents on the intermediate-range nuclear forces treaty, the signing of two minor agreements on supervising arms control (notification of the launching of long-range missiles and the technical details of joint verification of nuclear tests) and seven accords on bilateral relations (in such areas as cultural exchanges, fishery, and peaceful use of outer space) as well as intensive discussion of regional conflicts and human rights. As for the most important thing on the agenda of the current meeting, namely, a treaty on a 50 percent cut in strategic nuclear weapons, no ultimate agreement was reached on the issue despite repeated bargaining. Finally, Ronald Reagan and Mikhail Gorbachev issued a lengthy joint statement, expressing readiness to continue efforts so that the treaty could be concluded and signed. At the conclusion, Gorbachev stressed that "this important political document marks a whole stage of the relations between the Soviet Union and the United States" and that not only did it summarize all work since the Washington summit but it also "affirmed the agenda of the future dialogue between the two countries."

The Significance in Serving as a Link Between Past and Future [subhead]

Prior to the meeting, the media already calculated that the signing in Moscow of a treaty on cutting strategic nuclear weapons was impossible and some people in the United States even argued that it would be better not to hold the current summit since it had nothing of value to speak of. However, after the meeting, the media contended that the summit was of significance in serving as a link between past and future. With a review of the process of previous summit meetings and of the easing up in relations between the two countries, we can gain a better understanding of this argument. As far as summit meetings of the two countries are concerned, first of all, a dialogue was restored and procedures worked out; then, there came sharp exchanges of rhetoric and meetings broke up without results; and next, a compromise was reached on the issue of intermediate-range nuclear forces, thus achieving a sudden breakthrough. The current meeting was designed to continue storming fortifications and maintain momentum so as to ultimately reach an agreement on a drastic cut in strategic nuclear weapons, to give a push to other arms control talks, and to make dialogue more effective.

Several Noteworthy Aspects [subhead]

A preliminary review reveals many aspects of the U.S.-Soviet Moscow summit meeting merit attention.

First, achievements in arms control are limited but continued progress is being made. Reducing strategic nuclear weapons by 50 percent is a complicated problem. Both sides are taking great pains to devise specific ways of reducing the weapons. Of the four big obstacles left unsolved on the way of cutting strategic nuclear weapons, both sides have come closer to a consensus on two questions of deploying mobile intercontinental missiles and of calculating air-launched cruise missiles; the question of verifying sea-based cruise missiles has not yet been settled; and the biggest obstacle lies in the question of the "Star Wars" program rather than in the treaty itself. The Soviet side has insisted that limiting the development of strategic defensive systems should become the precondition for the signing of a treaty on reducing strategic nuclear weapons and demanded the United States agree to "strictly observe" the Anti-Ballistic Missile Agreement of 1972 but Washington was extremely reluctant to be bound by such an observation. Even though the Soviet Union made some "compromise proposals," their divergence of views has still not been bridged. Gorbachev maintained that "the possibility for both sides to conclude an agreement remains" before Reagan leaves office next January and that he hopes to meet Reagan once again for a special discussion on the treaty. Anyhow, the United States and the Soviet Union have decided to conclude a separate treaty on the issue of strategic defense in the days to come. Max Kampelman, head of the U.S. disarmament delegation asserted that it was most appropriate to conclude such a treaty while Reagan was still in office, because with their previous experience, the present American representatives were able to handle this job with ease and moreover, during Reagan's term of office, it would be easier to get the Senate to ratify the treaty. The Soviet authorities have also held a

similar view. The signing of an agreement on joint verification of tests will help the 1974 and 1976 treaties the United States and the Soviet Union signed on underground nuclear explosions become effective. This will help steadily and continuously limit nuclear tests. **Next, a pattern of top-level dialogue is now more definitely taking shape.** The summit meetings between the United and the Soviet Union from Dwight Eisenhower to Jimmy Carter progressed in an on-and-off fashion and have not formed a pattern. Reagan and Gorbachev have met four times since 1985 and they may possibly meet again this year. Meanwhile, foreign ministers of the two countries have held 24 rounds of talks and discussions and contacts between their senior officials (including defense ministers) are becoming more frequent. Both sides have deepened their understanding of each other on various issues and even reached an accord on the important issue of the Soviet Union pulling its troops out of Afghanistan. The American side summarized the issues on the talks agenda into four major categories: arms control, regional conflicts, human rights, and bilateral relations. It is undoubtedly a new model to submit outstanding issues to regular summits for solution and this dialogue pattern is likely to continue.

Again, the dialogue between the two superpowers is becoming more wide-ranging in scope and deep-going in content. During the current meeting, though not without sharp exchanges of rhetoric, both sides managed to discuss issues in four major categories, touching on almost all issues relating to arms control and disarmament, in particular, the questions of banning the use of chemical weapons and reducing European armed forces and conventional weapons, with the latter being more important and difficult. In an attempt to get in ahead of the the United States, the Soviet Union put forth a three-step proposal: First, both sides exchange and verify each other's relevant data; then, each reduces its army by 500,000 personnel; and finally, both sides make their armaments in Europe purely defensive in nature, with the number of Soviet tanks and American aircraft on the continent reduced. However, the United States showed indifference toward the proposal.

On the question of regional conflicts, Gorbachev held the discussion was "most penetrating." They include issues concerning Angola, the Iran-Iraq war, the Middle East, Cambodia, the Korean Peninsula, Central America, and other regions. However, major differences remain unresolved. Admitting that the Soviet troop withdrawal from Afghanistan was "of great significance," Reagan said that it would lead to the solution of issues of other regions. The U.S. authorities indicated that Angola and Cambodia were regions where new progress might possibly be made. The Soviet Union has always avoided discussion of human rights issues as taboo. During the current meeting, both sides still discussed the issues, such as migration of the Jews, political prisoners, and religious freedom. Some people say, one of the reasons the Soviet Union has become a bit more flexible in its stance is that it hopes to promote the development of its economic relations with the West.

To put it briefly, in their dialogue, the U.S. and Soviet leaders took a fairly realistic approach and none of them put forth a high goal of disarmament similar to the one advanced at the Iceland meeting. This helped avoid head-on confrontation and leaving the meeting empty-handed. Reagan said: "There is a realistic relationship between us." The superpower leaders, fully aware that it was difficult to make a breakthrough in the issue of the strategic nuclear weapons treaty, still readily participated as scheduled and created a lively atmosphere for their talks. The whole world can see from this that both sides, and to a greater extent the Soviet Union, cherish a desire to further promote detente and improve bilateral relations. Gorbachev's "new thinking" diplomacy is far more flexible than the Soviet's previous democracy. This enabled him to gain the initiative in negotiations and to win praise from the media. Secure in the knowledge that the U.S. situation is better than the Soviet situation, during negotiations, more often than not, Reagan is trying to exert heavy pressure on his counterpart to make more compromises. For example, on the issue of the strategic nuclear missile treaty, Reagan was reserved when he said: "We need mature parturition and will not promote hastened parturition." However, he has to alter the U.S. policy toward the Soviet Union as the Kremlin's policy has changed.

In addition, thanks to the previous summits and repeated contacts between U.S. and Soviet officials at various levels, both sides have had a clearer picture of each other's position and shown a more seasoned performance in negotiations.

Antagonism Difficult to Eliminate [subhead]

With a closer look at the Moscow meeting, we can see that both sides still found it difficult to gloss over the acute nature of their contradictions. For instance, on the issue of human rights, Reagan adopted an offensive posture and was persistently very critical about the Soviet human rights performance and even personally met "dissidents." The Soviet Union was relatively tolerant of this move, but Gorbachev did not give up counterattacking. The Kremlin invited American Indians to the country and the latter accused the United States of ignoring human rights. In fact, the contradictions between the United States and the Soviet Union are too deep to be eliminated by just a few summits. In a report, "The Strategy for National Security," Reagan submitted to Congress this year, he stressed that "the Soviet global challenge" is "the greatest threat" to the United States, stating that the U.S. policy is "to maintain dialogue" while "acknowledging that relations of the two countries are of a competitive, and chiefly antagonistic nature." Even some moderates in the United States, such as the former Defense Secretary (Brown), have also recently expressed worries that a situation of detente may make the United States lose vigilance and the Soviet Union will benefit from the U.S. military spending cuts in consecutive years. The Soviet side has repeatedly stressed that it will not tolerate U.S. military superiority.

At a reciprocal banquet held by Reagan, Gorbachev openly professed that although people had appealed for cooperation and trust, "competition remains, among other things, in the military aspect."

In addition, what merits attention is whether the United States and the Soviet Union can implement their hard-won arms-control agreement earnestly. It has been reported that before the ink on the intermediate-range nuclear forces treaty was dry, when testifying in Congress, a senior official from the U.S. Department of Energy confirmed that the United States would not destroy the nuclear warheads removed from the missiles and that it might re-deploy the warheads of these intermediate-range missiles in the two new cruise missile systems. The U.S. excuse is that the intermediate-range nuclear forces treaty just stipulates destruction of missiles and has never touched on destruction of their warheads. What consequences this issue will result in remain to be seen.

The Moscow summit has evidently played a role not to be ignored in improving the relations between the United States and the Soviet Union and the trend of detente between the two countries will undoubtedly continue to develop, but, as antagonism remains the nature of U.S.-Soviet relations, the course of such a relationship will by no means be smooth sailing.

United States & Canada

Neurosurgeon Receives Honorary Membership

OW0507142688 Beijing XINHUA in English
0108 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—Wang Zhongcheng, a noted Chinese neurosurgical doctor, has been elected to honorary membership in the American Association of Neurological Surgeons.

The honorary membership is "a very special recognition by the organization bestowed upon a select few who have made outstanding educational, clinical or investigational contributions to neurological surgery of the neurological sciences," according to Professor Garretson, president of the American Association of Neurological Surgeons.

Wang is chairman of the Chinese Society of Neurosurgery and director of the Beijing Neurosurgical Institute and Beijing Tiantan Hospital.

He has dedicated himself to neurosurgery for 36 years and made many scientific contributions to the development of neurosurgery in China.

As a child, Wang made up his mind to be a medical doctor and he became a student of Beijing Medical College (Beijing University of Medicine) in 1944.

After New China was founded, Wang was appointed to work as a surgeon in Tianjin.

In 1964, he published his first brain-child "cerebrovascular angiography," which won the National Scientific and Technological Award of China.

He has written and edited many other books and articles on neurosurgery.

Although over 60, Wang is still energetic and robust. He has visited 20 countries and neurosurgeons from more than 30 countries have called on him.

U.S. Urges Total SRV Withdrawal From Cambodia

OW0207114388 Beijing XINHUA in English
2012 GMT 1 Jul 88

[Text] Washington, July 1 (XINHUA)—The United States said today that the resolution of the Kampuchea problem rests on the complete withdrawal of all Vietnamese troops from that country.

Noting that Vietnam had announced withdrawal of 50,000 troops including elements of its senior command structure from Kampuchea, State Department spokeswoman Phyllis Oakley said, "If fully implemented, this would represent a positive step toward stability in the region."

But the spokeswoman added the announced withdrawal would still leave in Kampuchea at least 50 to 70 thousand Vietnamese troops, "whose presence would prevent any genuine expression of Cambodian political self-determination."

"We continue to maintain that the resolution of the Cambodian problem will require a settlement agreement which provides for the complete withdrawal of all Vietnamese troops from Cambodia," Oakley said.

Earlier, the State Department said normal relations with Vietnam are impossible unless Hanoi withdraws its estimated 140,000 occupation troops from neighboring Kampuchea.

U.S. Supports Angolan Opposition's Peace Plan

OW0207051488 Beijing XINHUA in English
0019 GMT 1 Jul 88

[Text] Washington, June 30 (XINHUA)—Angolan opposition leader Jonas Savimbi, who met with U.S. President Ronald Reagan today, said Reagan agreed to support his four-point plan intended to bring "peace and reconciliation" to Angola.

Savimbi, leader of the National Union for the Total Independence of Angola (UNITA) now on a visit to enlist U.S. support for his organization, later put forward his plan in a speech at the National Press Club:

—The United States shall maintain contacts with all the parties involved in the Angolan conflict—the Angolans including UNITA, the Cubans, and the South African,

—The assistance from the United States to UNITA shall not be stopped as long as the Soviets and the Cubans continue to support Angolan MPLA (the Popular Movement for the Liberation of Angola),

—The United States should work for promoting dialogue between MPLA and UNITA in order to form an interim government of national unity, to organize a cease-fire, and to have free and fair elections,

—The United States should work to fix a date of elections in Angola after hostilities have ceased.

The White House, in a statement issued after Reagan met briefly with Savimbi, said the Angolan leader "seeks the withdrawal of all foreign forces and a process of internal political reconciliation in Angola."

"The United States believes that true peace in Angola can only result from national reconciliation, and that UNITA has the right to participate in such a process," the statement said.

It added "The president supports UNITA's struggle against the presence of Soviet and Cuban forces in Angola. Savimbi supports the ongoing U.S.-brokered negotiations with South Africa, Angola, and Cuba."

The four-party talks on peace in Angola and independence of Pretoria-held Namibia are due to resume July 11 in the United States following two earlier rounds of less productive negotiations in London and Cairo.

The U.S.-supported UNITA, which receives South African military support, has received an estimated 15 million dollars a year in covert U.S. military aid, including Stinger anti-aircraft missiles, since 1986.

But many U.S. civil rights and black leaders oppose Savimbi because of his South African support. Some lawmakers in Congress are calling for a new ban on U.S. aid to UNITA.

U.S. To Send Inspection Team to USSR

*OW0107182988 Beijing XINHUA in English
0645 GMT 1 Jun 88*

[Text] Washington, June 30 (XINHUA)—The United States today notified the Soviet Union that a U.S. inspection team would arrive in Moscow Friday to carry out "baseline inspection" under the treaty signed last December to eliminate medium-range nuclear missiles.

The Pentagon announced in a statement today that a 10-man inspection team headed by Brig. Gen. Roland Lajoie, director of the U.S. On-Site Inspection Agency, would travel to Moscow from the U.S. Rhein-Main Air Force Base in West Germany.

The "baseline inspections" are to verify the exact number of missiles and related components to be destroyed under the INF treaty.

A Soviet team will conduct a similar inspection in the United States beginning Friday, the first day of a 60-day period during which the two sides may inspect scores of sites associated with the missiles to be eliminated.

Under the terms of the INF treaty, the two sides must give each other 16 hours' notice of their intent to make an inspection.

The INF treaty also allows the Soviets to station up to 30 inspectors for the next 13 years in Magna, Utah, site of Hercules Plant No 1, where U.S. medium-range missiles were produced.

The U.S. side has the right to station inspectors near the Soviet missile-producing site, the Volkinsk Machine Building Plant.

U.S. Says No Nation Leads Space Race

*OW0107143988 Beijing XINHUA in English
0651 GMT 1 Jul 88*

[Text] Washington, June 30 (XINHUA)—A U.S. Congressional study reported today, the U.S. space program is clearly eclipsed by Soviet only in one area, the operational use of crews in earth orbit, and no nation has a space lead.

The study, prepared for the U.S. Senate Commerce Committee and its Space Subcommittee by the congressional research service, said that the lead in that area existed long before the 1986 Challenger shuttle disaster and will remain long after the shuttle goes back into service.

"No single country is ahead of all the others in space. And despite the edge in operational experience and despite the headlines of the last months, the Soviets have not suddenly taken the lead in space," the report added.

"If the United States chooses to compete with the Soviets in this area (operational experience), it must have the ability to leave crews in Earth orbit for very long periods of time, not the 7-10 days achievable with the shuttle in its current configuration," the report said.

The report said the Soviets are not ahead technologically, they are only beginning to have a space station with the technical capability of the 1973 U.S. Skylab.

The report noted that space is not the exclusive province to the two superpowers, China, India, Japan and the 13-member European Space Agency, all have demonstrated the ability to put satellites in space.

The U.S. Leads in the technology of piloted space craft, the Soviets have more hours in space, both nations have the ability to make spacewalks, and Soviet is ahead in meeting announced goals, the report said.

The report said a direct comparison of the roughly 100 Soviet space launches a year to the 15 to 20 done by the U.S. is a bit misleading.

"This comparison shows how far the Soviets are behind, since the difference is primarily attributable to the low level of Soviet technology. They have to launch that many more satellites to accomplish the same objectives the United States can meet with fewer launches," the report said.

U.S. Company Tests Rocket Engine 'Successfully'
OW0207185288 Beijing XINHUA in English
1811 GMT 1 Jul 88

[Text] Washington, July 1 (XINHUA)—A most efficient rocket engine, a 2-ounce thruster designed for use on a missile-killer, has been successfully tested by a U.S. company Rocketdyne.

The engine tested yesterday at the company's laboratory in Simi Valley, Los Angeles, was designed for use as a "divert thruster" for a space-based interceptor in the government's proposed Strategic Defense Initiative.

It would guide the interceptor, also known as kinetic kill vehicle (KKV), from its base on a satellite toward an oncoming nuclear missile, Rocketdyne said in a statement. The KKV would then destroy the incoming missile.

A KKV would destroy targets through force of impact and is conceived as a non-nuclear device.

With a weight-to-thrust ratio of 1-to-1,200, the thruster is the most efficient. The engine was fired, or pulsed, for five milliseconds while fixed on a stand and then was shut off for a tenth of a second. This cycle was repeated dozens of times. The result sounded like machine gunfire.

Officers from the U.S. Air Force Space Division in El Segundo and managers from Rockwell International watched the demonstration.

Report on U.S. Reaction to Airbus Incident
OW0607000288 Beijing XINHUA in English
0721 GMT 5 Jul 88

[Text] Washington, July 4 (XINHUA)—While their "hearts go out to" the dead in an Iranian airliner shot down by a U.S. Naval missile, the Americans defended the military's action that led to the killing of all 290 passengers aboard the jet.

When he received the report of the missile attack, President Ronald Reagan, who sent a U.S. escort fleet to the Gulf waters last July to protect reflagged Kuwaiti tankers, called the attack an "understandable accident".

Acknowledging that it was a "tragedy," Reagan refused to withdraw the U.S. Naval fleet from the Gulf.

Almost certainly Republican presidential nominee, Vice President George Bush, whose campaign message is much that of President Reagan, said that the threat of Iranian retaliation over the incident would not change U.S. policy in the Gulf.

Bush added, "Our hearts go out to the loved ones and families of those who were lost."

Democratic presidential hopeful Michael Dukakis, who has already locked up the Democratic nomination, defended the military's action by saying that "our armed forces have the right to defend themselves when attacked."

The incident, which took place early Sunday when a U.S. cruiser fired a missile at an Iranian airliner over the Hormuz Strait, did not draw much criticism from both the House and the Senate. The Democrats, in their heated battle for the Oval Office, did not blast their Republican rivals for benefits as expected.

House Democratic leader Thomas Foley of Washington said the Navy had acted "properly." But he said expected world criticism "is going to flow" from the incident.

Democratic Senator Sam Nunn of Georgia, chairman of the Senate Armed Services Committee, took a much reserved approach towards the incident, saying that he would "reserve judgment until receiving further information."

However, the incident has refueled the requirements for the reconsideration of the U.S. policy in the Gulf and was bound to revive arguments against U.S. involvement in the Gulf in close proximity to the 8-year-old war between Iran and Iraq.

Senator Paul Simon, an Illinois Democrat who had dropped his bidding for the presidency earlier, accused the government of policy errors that have sunk the United States in the Gulf more than its "security needs and the defense of freedom of the seas require."

Also, Senator Dale Bumpers blamed the incident on the U.S. policy in the Gulf. He warned that if the policy continues, "more of these things" will happen.

It seems that no U.S. legislator or prominent politician has taken a leap forward to urge the total withdrawal of the U.S. warships from the Gulf.

Even Democratic presidential contender Jesse Jackson, who described the shooting as "a combination of guided missile and misguided policy" and undefined policy, said that the U.S. fleet "should not move out unilaterally."

"We do have a right to be there," Jackson said.

Meanwhile, the military, speaking cautiously to avoid direct comment on its naval involvement in the region, told reporters that the cruiser "Vincennes" received "electronic indications" that let it to believe that the Airbus A-300 was an F-14 fighter.

But the chairman of the Joint Chiefs of Staff, Admiral William Crowe, could not explain how could the most sophisticated radar equipment mistake a big, slow Iranian airliner for a small, fast fighter.

A six-member Pentagon team had left the United States for the Gulf Monday to investigate the incident.

U.S. Sees No Policy Changes in Gulf

OW0507115288 Beijing XINHUA in English
1751 GMT 4 Jul 88

[Text] Washington, July 4 (XINHUA)—State Department officials have said that the shooting down of an Iranian passenger jet by a U.S. Navy ship would not lead to any fundamental change of American policy in the Gulf.

But they said there would be a review of military procedures, including the rules of engagement in the Gulf, which govern the use of force by American ships and planes there.

The Pentagon said a U.S. warship fighting Iranian gunboats in the Gulf yesterday mistook an Iranian civilian jetliner for an attacking F-14 warplane and shot it down with a missile. All 290 persons on board were killed.

Iran accused the United States of deliberately shooting down the passenger jet and threatened revenge, rejecting a U.S. statement that it was an accident.

The incident, the worst of its kind in world aviation history, was reportedly bound to revive arguments against U.S. policy and involvement in the Gulf.

The United States now maintains a fleet of 26 combat ships and support vessels in the Gulf region mainly to protect American-flagged Kuwaiti oil tankers through the war-torn waterway.

A State Department official, asked about the jet incident, said, "Don't look for any changes in U.S. policy" in the Gulf.

Another department official said the incident would have "no direct impact" on the American effort to assure freedom of navigation in the Gulf by escorting Kuwaiti tankers and by providing aid, on request, to vessels of other countries that come under attack.

The State Department reportedly has established an informal working group to follow events in the Gulf.

Other Administration officials said they believed they could preserve the U.S. policy of using armed naval escorts for oil tankers in the Gulf and retaliating against Iranian attacks, although they acknowledged the policy is likely to face a new round of skeptical questioning in Congress.

Some lawmakers have long been skeptical about the wisdom and strategy about the U.S. involvement in the Gulf.

Administration aides briefed key members of Congress and allies yesterday in hopes of minimizing public criticism to the jet tragedy.

However, since U.S. ships operate in an increasingly dangerous war zone in Gulf, a debate on American Gulf policy is believed to be inevitable.

Dukakis, Jackson Comment on Iran Air Downing

OW0407025388 Beijing XINHUA in English
0137 GMT 4 Jul 88

[Text] Washington, July 3 (XINHUA)—Michael Dukakis, the Democratic presidential nominee, said in a statement made Sunday in Boston Americans are saddened by the loss of life in the Gulf," according to reports from Boston.

The U.S. Defense Department today confirmed that the cruiser USS Vincennes shot down an Iranian passenger jet carrying over 290 passengers in error while engaged in hostile action in the Gulf, and Iran declared that everyone aboard the jetliner was believed to be killed.

Dukakis said, "I must also repeat what I have been saying for over a year, the war between Iran and Iraq must end. We and the international community have a responsibility to stop it," according to the reports.

"Plainly," said Dukakis, "our armed forces have a right to defend themselves when attacked.

"I would hope the planned Pentagon investigation would quickly and fully respond to all of the questions which arise from the tragic incident." He said.

Meanwhile, civil rights leader Jesse Jackson in Chicago expressed that he was "regrettable" over the event in the Gulf. [sentence as received]

Vice President Bush Defends U.S. Gulf Policy

OW0507115888 Beijing XINHUA in English
1817 GMT 4 Jul 88

[Text] Washington, July 4 (XINHUA)—U.S. Vice President George Bush today said the captain of the U.S. warship that shot down the Iranian airliner over the Strait of Hormutz "appears to have done what it had to do."

Bush, who will be Republicans' choice for the next U.S. president, rejected notion to compare the U.S. shooting of the Iranian jetliner with the one done by the Soviet Union in which a South Korean Boeing 747 carrying about 270 people was downed over Soviet airspace in 1983. He emphasized that the Iranian jet was flying in a combat zone and was warned several times by the U.S. warship.

Bush said at the Detroit airport on his way to an Independence Day parade the incident would not jeopardize Reagan's Persian Gulf policy. As to the significance of the disaster, he said: "I don't think it is more significant than other incidents but it is significant."

Reacting to the incident yesterday, Democratic nominee-to-be Michael Dukakis defended U.S. military presence in the Gulf region when he said: "Our armed forces have a right to defend themselves."

Jesse Jackson, another Democratic presidential contender, said this morning that U.S. forces should continue to stay in the Gulf region.

U.S., Iran Hold Indirect Talks on Hostages

OW0607051688 Beijing XINHUA in English
2349 GMT 5 Jul 88

[Text] Washington, July 5 (XINHUA)—The Reagan administration said today that it is ready and willing to talk to anyone about the safety and the release of American hostages held in Beirut, Lebanon.

"We are ready to engage with an authoritative Iranian representative on this question," State Department Spokeswoman Phyllis Oakley said, adding "so far these efforts have not borne fruit."

The United States has no direct contacts with Iran, but has had several indirect contacts with the Iranians "through friendly governments," Oakley said.

Oakley made the remarks at a regular State Department briefing when asked to comment on a report that an Iranian-backed organization threatened to kill one of the American hostages in revenge for Sunday's downing of an Iranian passenger plane by a U.S. Navy ship over the Gulf that killed all 290 passengers on board.

"We see no link between the hostage issue and the shooting down of the Iranian plane," Oakley said. "We continue to hold the kidnappers fully responsible for the safety and well-being of all the hostages."

Eight Americans as well as several other foreign citizens are believed to be held hostage in Lebanon.

Mrs. Oakley again reaffirmed U.S. policy that "we will not make any concessions and we will not make any deals for the hostages."

Soviet Union

Spokesman on Iranian, Korean Airliner Incidents

OW0507021188 Beijing XINHUA in English
2355 GMT 4 Jul 88

[Text] Moscow, July 4 (XINHUA)—A Soviet Foreign Ministry spokesman today rejected comparisons between the Soviet downing of a South Korean airliner in 1983 and the U.S. downing of an Iranian passenger plane last Sunday.

At a news briefing here this afternoon, Spokesman Gennadiy Gerasimov argued that in 1983 the South Korean 007 airliner was flying at night, with its lights switched off and did not answer radio signals, whereas the Iranian plane was shot down in broad daylight and perfect visibility.

Asked why the Soviet reaction was more reserved than that of the Washington administration in 1983, Gerasimov said the "wild anti-Soviet howl" raised by the U.S. Government and mass media over the Soviet downing of the South Korean airliner was "a bad example" and that Moscow will not follow it.

Commenting on a TASS report about the downing of the Iranian airliner by a U.S. missile, Gerasimov said that American navymen "proved unable" to distinguish a large airbus from an F-14 fighter plane. This showed that they operated at a very low professional level, he added.

Gromov Defends Soviet Afghan Experience

OW0207029088 Beijing XINHUA in English
1519 GMT 1 Jul 88

[Text] Moscow, July 1 (XINHUA)—A delegate to the Soviet party conference today called the decision to send Soviet troops into Afghanistan a move "in defiance of the machinery of democracy" and said anything like this should not recur.

Speaking in the morning session of the conference debate, Grigoriy Baklanov, chief editor of the literary journal "ZNAMYA" (BANNER), praised the withdrawal of troops from Afghanistan as "an act of political wisdom and courage." But the other decision, he said, the one to move the troops into that country, has been taken in defiance of democracy.

He called for creating guarantees to prevent anything of the kind from recurring ever again.

Meanwhile, Boris Gromov, commander of Soviet troops in Afghanistan, in his speech at the conference today, defended the decision to send troops into Afghanistan in late 1979 and said that he could not understand some people "who are now trying to call in question the heroic feat of Soviet soldiers in Afghanistan."

In a reference to the same issue, Soviet leader Mikhail Gorbachev in his report to the conference stated that the Geneva accords on Afghanistan and Soviet troop withdrawal "have become an international milestone" in the political settlement of regional conflict.

Former Soviet leadership has come under increased criticism for some major foreign policy decisions in the 1970s and early 1980s, but foreign policy is not the main area under discussion at the current party conference.

Soviet Official on POWs in Afghanistan

OW0507133288 Beijing XINHUA in English
0106 GMT 5 Jul 88

[Text] Moscow, July 4 (XINHUA)—Soviet Prosecutor-General Aleksandr Sukharev declared today that all Soviet soldiers who return home after being held prisoner in Afghanistan will enjoy full rights guaranteed by the Soviet constitution to Soviet citizens.

Sukharev also announced at a press conference that all those Soviet soldiers sent to Afghanistan who "committed offenses damaging our state" after being captured will also be amnestied.

He said 312 Soviet soldiers have been captured by the Afghan resistance forces. One third of them have died. About 200 are held captive in Afghanistan or in Pakistan and some are believed to have gone to the United States, Canada and Western Europe.

Satellite Photos of Tokyo Made Public

OW0407141688 Beijing XINHUA in English
0631 GMT 4 Jul 88

[Text] Tokyo, July 4 (XINHUA)—The Soviet Union made public its satellite photos of Tokyo at an international photo conference opening in Japan's Kyoto yesterday, the Japanese Jiji press reported.

This is the first time that the Soviet Union publishes such photos.

The high-precision photos of Tokyo, which were taken by a Soviet man-made satellite on June 6 this year at a high altitude of 273 km, can be used to survey growth conditions for large tracts of agricultural crops and various resources on the earth.

Formerly, Soviet satellite photos were only used secretly for military purposes.

Further Reportage on CPSU Party Conference

'People Expect More'

OW0207013488 Beijing XINHUA in English
2330 GMT 1 Jul 88

[Text] Moscow, July 1 (XINHUA)—The Soviet Communist Party wound up a four-day national conference late this evening, which was hailed as a "major event in the history of the party."

The conference, the first in 47 years since 1941, was called to discuss the initial results of an all-embracing reform drive launched by Mikhail Gorbachev three years ago shortly after he became the party general secretary and to decide on measures for removing obstacles in the way of reform so as to make it irreversible.

The results of the four-day discussion were mainly reflected in the six resolutions adopted at the closing session. A large number of suggestions advanced by the delegates will be referred to other meetings in the future.

Gorbachev described the discussion as a "truly open party talk about the principal things that concern today the communists, Soviet people, in an attempt to find answers to questions that worry them."

Nothing of the kind has occurred in this country for nearly six decades, he said.

Out of the 5,000 delegates representing the party's 20 million members, 61 people took the floor in the four days of discussion, sometimes heated argument or even an exchange of extremely critical remarks. The pluralism of views reported from the conference was seen as an evidence of what Gorbachev calls "glasnost" (openness) to help the pursuit of his reform strategy.

This strategy, determined by the urgent need to speed up the country's socio-economic development, enjoys popular support. The changes for the better over the past few years are welcomed by the Soviet people. But the discussion at the conference shows that complaining about the too slow progress is a common-place, especially in regard to food supply and the production of consumer goods. Many delegates said there were "too many decisions, and the lack of firmness in enforcing them." "We should demand the party Central Committee realize everything planned in a firm and strict manner," one of them noted.

Efforts to translate the decisions into action may be what people expect more of this conference.

Delegates 'Argue'

OW0107234088 Beijing XINHUA in English
1937 GMT 1 Jul 88

[Text] Moscow, July 1 (XINHUA)—The Soviet Communist Party Conference this evening adopted a package of six resolutions designed to advance the drive of the country's economic and other reforms.

Two major resolutions concern the initial results of a three-year economic reform and measures for restructuring the country's political system. The four others deal with glasnost (openness), inter-ethnic relations, the anti-bureaucracy struggle and legal reform.

The official Soviet news agency TASS said that the discussion of the resolutions was "unusually stormy and prolonged."

After Mikhail Gorbachev, as chairman of the commission in charge of drafting the two main resolutions, told the closing session about the commission's work and read out amendments introduced, delegates suggested additional alterations. In the course of rewording the texts, some delegates argued with Gorbachev and demanded this or that specific suggestion be put to vote.

One delegate asked for a change in wording concerning the election of chairmen of local soviets of people's deputies, and Gorbachev put the suggestion to a vote. Only slightly more than 200 of the 5,000 delegates were in favor of the suggestion.

TASS said that alterations were also introduced and that opinion of the majority was ascertained in the discussion of other draft resolutions.

Yeltsin Speaks at Conference

OW0107212388 Beijing XINHUA in English
1825 GMT 1 Jul 88

[Text] Moscow, July 1 (XINHUA)—Former Moscow party chief Boris Yeltsin denied today that he had committed political mistakes and asked for his "political rehabilitation."

Speaking at the Soviet party conference here today, Yeltsin, who was removed from the Moscow city party leadership last November and from the party's Political Bureau early this year, said that his speech at the October 1987 plenary meeting of the Central Committee was "announced politically erroneous," but "my only mistake was that I chose the wrong time, before the celebration of the 70th anniversary of the (October) Revolution."

The Soviet news agency TASS quoted him as saying that "I took very much to heart what happened. I ask the conference to review the plenum's decision on this issue."

"This is a principled issue, appropriate in the light of the socialist pluralism of views, freedom of criticism and tolerance towards the opponent proclaimed in the report (by Mikhail Gorbachev) and statements by delegates," Yeltsin said.

Asked by delegates to explain his speech at the organizational plenary meeting of the Moscow city party committee, Yeltsin replied that the incoherence of his speech there was due to his very sick state.

Referring to interviews with foreign television companies, he said that long before the requests from foreign media outlets, he had given interviews with the Soviet Union's NOVOSTI press agency and the "OGONEKK" journal, but those interviews were not published.

According to TASS, Yeltsin told the conference delegates that late-Soviet leader Leonid Brezhnev was not the only one to blame for the stagnation of the past. He also criticized the Central Committee apparatus on having failed to stop the many negative trends in the party and society.

TASS said Yeltsin raised the issue of the personal accountability of those leaders who, in his opinion, have been responsible for this.

Gorbachev Criticizes Yeltsin

OW0207074288 Beijing XINHUA in English
0637 GMT 2 Jul 88

[Text] Moscow, July 2 (XINHUA)—Soviet leader Mikhail Gorbachev Friday [1 Jul] joined his Kremlin number two, Yegor Ligachev, and other delegates in attacking former Moscow party chief Boris Yeltsin for his call for "political rehabilitation."

Closing a four-day crucial party conference, Gorbachev accused Yeltsin of making an "unjustifiable and unacceptable" statement during the floor debate at the conference.

Gorbachev charged the former Moscow party chief with "resorting to a peremptory tone, to command methods... followed by an endless change of personnel" when he was in office before the removal last November.

Yeltsin, the last speaker at the Soviet Communist Party conference, Friday made an emotional appeal to his fellow delegates to absolve him from the blame for trying to push the reform too fast.

On the last day of heated debate at the four-day conference, Yeltsin insisted that he had made no political mistakes and that his only mistake was poor timing when he made a controversial speech last October before the party Central Committee, which led to his dismissal.

Yeltsin, 57, an outspoken perestroikan, was ousted last November from his post as Moscow party chief and lost his spot as an alternate Politburo member in February for having harshly criticized conservatives and the slow pace of reform.

But Yeltsin's dramatic move toward his "political rehabilitation" was instantly rejected by Ligachev, considered to be the Kremlin's No 2 man, who said Yeltsin had committed many errors and still hadn't learned his lesson.

"Taking very much to heart what happened, I ask the conference to review the plenum's decision on this issue," the burly former Moscow party head was quoted by the official news agency TASS as saying.

He said he regarded this as a "principled issue." "By so doing, you will rehabilitate me in the eyes of the Communists," he told the 5,000 delegates.

Gorbachev's attacks Friday evening, which climaxed the condemnation against Yeltsin by many other delegates in addition to Ligachev, definitely dashed Yeltsin's hope of rehabilitation.

In his speech, Yeltsin said, "My only mistake was that I chose the wrong time, before the celebrations of the 70th anniversary of the "October Revolution," although his speech at the October plenum was "announced politically erroneous."

Yeltsin's speech to the closed-door session has not been made public.

He also criticized what he said were hasty preparations for the conference, which ended today. "In the opinion of the orator, the preparations for the conference were carried out hurriedly," he said.

Referring to recent interviews with foreign television companies, he said he granted the request from foreign media outlets because his interviews with the Soviet Union's NOVOSTI press agency and the "OGONYEK" journal, conducted long before, were never published.

In his interview with the British Broadcasting Corporation (BBC) on May 30, Yeltsin called for Ligachev's resignation, blaming him for the slow pace of reform.

According to TASS, Yeltsin told the conference delegates that late Soviet leader Leonid Brezhnev was not the only one to blame for the stagnation of the past.

At this moment, the time of 15 minutes allotted to each delegate taking the floor was up. When Soviet leader Mikhail Gorbachev suggested that he could continue, Yeltsin, with a hoarse voice, raised the issue of his political rehabilitation.

Yeltsin was given a stern rebuff later in the day when Ligachev delivered a sharp-worded speech refuting Yeltsin's earlier remarks to the conference.

Ligachev said Yeltsin's speech "indicated that he did not draw proper conclusions from his errors and from the principled criticism by his party comrades." Ligachev recounted Yeltsin's "incorrect, erroneous actions and deeds" as an alternate Politburo member and Moscow municipal party chief.

He said there were no grounds for changing anything in the wording of the decision of the October party plenum.

In response to the charges by Yeltsin against some Politburo members, Ligachev said it was precisely such members of the present top party body as Viktor Chebrikov, Mikhail Solomentsev, Andrey Gromyko and himself who made a correct decision in March 1985 to choose Mikhail Gorbachev as the new party general secretary to succeed Konstantin Chernenko.

He also denied the reported differences among the top leadership of the party, which he described as "close-knit and united." "There are neither conservatives nor reformers among the leadership," he said.

Wagging his finger as an emphatic gesture, Ligachev accused Yeltsin's interviews with "bourgeois media" of attempting to please people with claptrap.

Ligachev said he remains composed no matter what foreign press reports will speculate about him.

One delegate demanded the publication of Yeltsin's speech at the October party plenum. The call was echoed by many interviewed by Soviet television during a break of the session.

Other delegates also countered Yeltsin's charges in the afternoon session and rejected his request for political rehabilitation.

Gorbachev Sums Up Results

*OW0207091788 Beijing XINHUA in English
0613 GMT 2 Jul 88*

[Text] Moscow, July 2 (XINHUA)—Soviet leader Mikhail Gorbachev said the party conference, which closed here Friday evening, had answered the question of how to ensure a deepening of the country's reform and guarantee its irreversibility.

The conference adopted six resolutions as the main result of a four-day "businesslike" discussion, characterized by frequent clashes of ideas over the course of the perestroika drive that was rarely seen at past party meetings.

In his closing speech to the 5,000 delegates, Gorbachev described these resolutions as "thoroughly considered and responsible decisions." However, he warned, "if we drag out their fulfilment—and this is one of our chronic ailments which have not yet overcome... Much can simply come to nothing."

This kind of warning was echoed in the conference hall throughout the last four days. In their comments on the outcome of the three-year reform in the country, many delegates complained about the slow progress, which they attributed to the lack of firmness in enforcing decisions. One of them even said: "there is no satisfaction over the changes taking place now, while a sense of concern heightens."

Intense organizational work lies ahead to implement the reform, Gorbachev said. The Soviet leader expressed his belief that "through democratization, an economic reform and the transformation of the political system, we shall make perestroika irreversible."

Conference Closing Reported

*OW0207133788 Beijing Domestic Service
in Mandarin 2130 GMT 1 Jul 88*

[By reporters Zhang Lean and Xu Hengsheng from Moscow]

[Text] The 19th CPSU party conference ended at the Kremlin Conference Hall last night. The conference adopted six resolutions, including one on the progress in implementing the 27th CPSU Congress resolutions and the tasks to strengthen reform, and one on combatting bureaucracy.

In his speech at the closing session, Gorbachev hailed the conference as an important milestone in the history of the CPSU.

Speaking at the session on 30 June, Gorbachev explained a suggestion, contained in his 28 June report, on recommending the first secretary of a party committee to serve concurrently as chairman of the Soviet at the same level. Some delegates had voiced disagreement with Gorbachev's suggestion which they said contravenes the principle of separating party from government functions. Gorbachev explained: We need to rely on the party's prestige to reinvigorate the Soviets, and the enhancement of their prestige hinges upon the party's prestige. If these two key forces in our political system conflict, we will get nowhere. Therefore, we must see to it that they are organically combined.

CPSU Central Committee Plans Late July Meeting *OW0507013988 Beijing XINHUA in English 1935 GMT 4 Jul 88*

[Text] Moscow, July 4 (XINHUA)—The Soviet Communist Party Central Committee will hold a plenary meeting at the end of this month to discuss the implementation of the decisions of the 19th party conference, the official Soviet news agency TASS announced tonight.

The 19th party conference, held in Moscow from June 28 to July 1 adopted a package of six resolutions designed to advance the country's economic and other reforms. The most important resolution was that on restructuring the country's political system.

According to the resolution, a new post of president of the USSR Supreme Soviet will be created and first party secretaries of union republics, regions, and districts will be concurrently chairmen of the soviets of people's deputies.

Northeast Asia

Zou Jiahua Meets Japanese Visitors *OW0207141588 Beijing XINHUA in English 0650 GMT 2 Jul 88*

[Text] Beijing, July 2 (XINHUA)—State Councillor Zou Jiahua met a joint delegation from the Industrial Bank of Japan, Ltd., the Nippon Steel Corporation and the Asahi Trading Co., Ltd. here this afternoon at the Great Hall of the People.

The energy, transportation and raw material industries remain the emphasis in developing China's national economy, Zou said.

In addition to self-reliance, China is willing to develop its iron and steel industry in cooperation with all the friendly countries in the world, he said.

Zou thanked the visiting Japanese friends for their efforts to increase the cooperations between China and Japan in the iron and steel industry.

The Japanese delegation is now here as guests of the China Kang Hua development corporation.

Li Tieying Meets Japanese Parliamentarian *OW0407061288 Beijing XINHUA in English 0546 GMT 4 Jul 88*

[Text] Beijing, July 4 (XINHUA)—Chinese State Councillor Li Tieying met Toshiki Kaifu, member of the House of Representatives of the Japanese Liberal Democratic Party and former minister of education, and his party here this morning.

Li Tieying is also minister in charge of the State Education Commission.

Japanese Acting Premier Meets PRC Youth Group
OW0507143988 Beijing XINHUA in English
0112 GMT 5 Jul 88

[Text] Tokyo, July 4 (XINHUA)—Keizo Obuchi, chief cabinet secretary and acting prime minister, received a visiting Chinese youth academic exchange delegation today.

Obuchi said Prime Minister Noboru Takeshita, who is on a visit to Australia, attaches much importance to the benefit of Chinese students learning in Japan. Japan plans to accept 100,000 undergraduate and graduate Chinese students through the end of the century, he noted.

Invited by Japan's International Research and Exchange Association, the Chinese delegation, led by Wu Xuwen, is here attending an international seminar organized by China, the U.S. and Japan.

5-Day Sino-Japanese Aging Conference Ends
OW0207192288 Beijing XINHUA in English
1155 GMT 2 Jul 88

[Text] Tokyo, July 2 (XINHUA)—A five-day Sino-Japanese experts conference on aging ending here today appealed to the Chinese Government to take necessary measures to deal with the aging problem.

Experts attending the conference predicted that by the year 2000, China will enter into an aging society with 130 million people aged 60 and over, who make up 11 percent of the total population.

In 1980, 80 million people in China were at the age of 60 and upwards.

Besides, by 2000, people over 65 will be 7 percent of the population as compared with 4.9 percent in 1982.

During the conference, both Chinese and Japanese experts presented over 20 papers on China's population structure, the process of aging in the country and the effect of an aging society to it. Representatives from five countries including Indonesia, Malaysia and the Philippines were also present at the conference as nonvoting delegates. As arranged by the United Nations Fund for Population Activities, an international seminar on the comparative study of aging will be held in Beijing next year.

DPRK Accuses South of Firing in DMZ
OW0207194188 Beijing XINHUA in English
1503 GMT 2 Jul 88

[Text] Pyongyang, July 2 (XINHUA)—The Democratic People's Republic of Korea (DPRK) today accused South Korean troops of attacking a guardpost with machinegun fire inside the demilitarized zone.

The KOREAN CENTRAL NEWS AGENCY reported that the attack occurred south of Changpoong in the western section of the demilitarized zone at about 19 hours Friday, posing a threat to the guards on duty.

Under the pretext of ensuring security at the Olympic Games, Seoul authorities have been creating tension and stepping up suppression of students and other South Koreans, who are waging an anti-U.S. and anti-government struggle, the report said.

DPRK Student Proposes Exchange With South
OW0607050088 Beijing XINHUA in English
0543 GMT 5 Jul 88

[Text] Pyongyang, July 5 (XINHUA)—A student leader from the Democratic People's Republic of Korea yesterday sent a letter to students in the South proposing a North-South meeting at Panmunjom in mid-August this year.

The proposed August 15 meeting, the letter said, is to discuss such issues as the reunification of the Korean Peninsula, students exchanges, the co-holding of this summer's Olympic Games, and the reunion of separated families.

According to a report from the KOREAN CENTRAL NEWS AGENCY, some 1,000 students from the North are scheduled to arrive at the border village on the eve of August 15 at the end of a week-long march.

Meanwhile, some 3,000 South Korean students marched through central Seoul Monday (July 4) demanding the reunification of the peninsula, and Prime Minister Yi Hyon-chae said his government was preparing student exchanges with the North, reports from Seoul said.

Seoul Rally Marks Reunification Call Anniversary
OW0607000988 Beijing XINHUA in English
0749 GMT 5 Jul 88

[Text] Pyongyang, July 5 (XINHUA)—More than 5,000 people rallied in Seoul yesterday to mark the 16th anniversary of the South-North joint statement on the reunification of the Korean Peninsula.

The participants included 755 people from 55 opposition groups. Most were students.

After the rally, they held a street march. During the march, they shouted anti-American slogans and demanded that the Democratic People's Republic of Korea be permitted to co-host this year's summer's Olympic Games.

On July 4, 1972, the North and South of Korea issued a joint statement calling for the reunification of the Korean Peninsula under the three principles of independence, peace, and national unity.

Southeast Asia & Pacific

TA KUNG PAO Views Cambodian Situation
HK0607035488 Hong Kong TA KUNG PAO in Chinese
6 Jul 88 p 2

[Editorial: "Cambodian Settlement Will Benefit Sino-Soviet-Vietnamese Relations"]

[Text] At a meeting with FRG guests yesterday, Zhao Ziyang, general secretary of the CPC Central Committee, indicated that China "is very much concerned about the Cambodian issue." He said: "If the Cambodian issue is solved, tensions in Southeast Asia will ease, Sino-Vietnamese relations will improve, and there will be conditions for normalizing Sino-Soviet relations."

After Premier Li Peng made China's attitude toward recent developments in the Cambodian situation known at a meeting with Japanese reporters the other day, this was the second time that the leader of the CPC Central Committee had further expounded on the Cambodian situation, saying that it involved Sino-Vietnamese-Soviet relations.

If the Cambodian situation can be settled peacefully, not only will peace in the Indochina Peninsula and Southeast Asia be ensured but Vietnam can also devote itself to peaceful construction. At present, the Vietnamese economy is so close to bankruptcy that Vietnam finds it unable to support the long-standing drain of the war of aggression against Cambodia. When Vietnam intruded into Cambodia some years ago the Vietnamese thought that they could fight a quick battle and force a quick decision. They had not expected that Democratic Kampuchea, with widespread sympathy and moral support from the international community and with all the people of Cambodia sharing a bitter hatred of the enemy, would make it impossible for them to realize their ambition.

The war in Cambodia has been going on for 9 years and it seems as if the time is ripening for a political solution. In truth, the key to the settlement of the Cambodian situation lies in the unconditional withdrawal of Vietnamese troops so that the Cambodian people can decide their own destiny. The internal affairs of Cambodia brook no interference by other people. The reason for a delayed settlement of the Cambodian issue is first of all because Vietnam has refused to pull out its troops and insisted that the Hanoi-supported Heng Samrin puppet regime should rule all of Cambodia. This stand on Hanoi's part has been denounced by the entire world.

Vietnam's decision to withdraw 50,000 of its troops this year can only be regarded as a beginning. The question is whether or not Vietnam actually pulls its troops out. If Hanoi has the genuine desire to solve the Cambodian issue by peaceful means, it should make known to the world the specific timetable for the withdrawal of all its troops in a short period of time.

The Soviet troop withdrawal from Afghanistan has undoubtedly made the settlement of the Cambodian issue even more urgent. The Soviet Union is wholly capable of doing something about settling the Cambodian issue. Vietnam relies entirely on Soviet military aid for the invasion of Cambodia. Had it not been for Soviet support it would definitely have been impossible for the 100,000-odd Vietnamese troops to gain a foothold in Cambodia. This fact is known to all people.

The ASEAN foreign minister's meeting in Bangkok on 4 July has placed the realization of peace in Cambodia at the top of the agenda. In the joint communique, all the foreign ministers again emphatically pointed out: If foreign troops are not withdrawn from Cambodia it will be impossible to have an independent Cambodia. They also reaffirmed their support for the Democratic Kampuchean government headed by Prince Norodom Sihanouk and praised the special role he plays in solving the Cambodian issue to the benefit of all parties.

Some time ago Sihanouk set out a three-point proposal on settling the Cambodian situation. The contents of the proposal are as follows: 1) The dissolution of the "People's Republic of Kampuchea" (the Heng Samrin regime) before national elections are held in Cambodia; 2) The formation of a provisional government consisting of the four political forces in Cambodia, including the Heng Samrin regime; and 3) Stationing a UN peace-keeping force in Cambodia entrusted with the mission of exercising international supervision until the establishment of a democratic, peaceful, neutral, and fully sovereign government.

The three-point proposal has been rejected by Hanoi, which insists that the armed forces of the Khmer Rouge faction should be disarmed and that Pol Pot should leave. Readjustments of these contradictions will depend on whether or not the talks among various factions in Cambodia and Vietnam, presided over by Indonesia, can reach a compromise agreement.

Beijing has expressed its welcome of the unofficial Jakarta talks among various parties, saying that if the relevant parties reach an agreement China is ready to join with other countries in giving an international guarantee. In China's view however, the settlement of the Cambodian situation still depends on: First, whether or not Hanoi really withdraws its troops and second, whether or not the Soviet Union urges Hanoi to make this resolution.

Undoubtedly there will still be sharp disputes on the settlement of the Cambodian situation, which will not be plain sailing. However, the general situation is advancing toward peace. The dawn of peace has eventually appeared in Cambodia, which has endured a baptism of war for 9 years.

XINHUA 'News Analysis' on Cambodian Issue
OW0307115188 Beijing XINHUA in English
0619 GMT 3 Jul 88

["News Analysis: Kampuchean Issue Tops Agenda of ASEAN FM Meeting (by Ma Shengrong and Huang Yong)"]—XINHUA headline]

[Text] Bangkok, July 3 (XINHUA)—The Kampuchean issue, as it has been over the past nine years, will top the agenda of this year's foreign ministers meeting of the Association of Southeast Asian Nations (ASEAN) scheduled to start tomorrow.

Diplomatic sources here said that recent developments have prompted ASEAN foreign ministers to coordinate their positions and future actions on the issue.

Cautious hope for seeking a solution to the nine-year old Kampuchean conflict springs from global politics and domestic pressures inside Vietnam which have made the situation more favourable for a fresh move.

Developments on the international front, including the Soviet withdrawal of troops from Afghanistan and the U.S.-Soviet summit, coupled with economic difficulties in Vietnam have pressed the Vietnamese to show some flexibility on the Kampuchean conflict, political sources here said.

Vietnamese Minister of Foreign Affairs Nguyen Co Thach evaded a question of whether he still insisted that the Kampuchean situation is "irreversible" and promised to join the Jakarta informal meeting during his visit to Thailand last month. But he refused to accept the unconditional troop withdrawal from Kampuchea and continued trying to shake off the responsibility of invading Kampuchea.

Political analysts here noted that although there are motions of change, Vietnam has not basically changed its position. The substance of the Kampuchean conflict remains the same.

ASEAN has been a staunch supporter of the Kampuchean people in their resistance war against the Vietnamese invasion.

A senior Thai Foreign Ministry official said that ASEAN countries are keen to settle the Kampuchean conflict to meet their main objective of securing stability and promoting economic cooperation in the region.

ASEAN's position has been clear: Vietnamese troops must be withdrawn completely from Kampuchea to allow the Kampuchean people to determine their future.

This position is expected to be reaffirmed by ASEAN foreign ministers at their annual meeting. The ASEAN foreign ministers are also expected to support the ongoing effort of Samdech Norodom Sihanouk to seek a political settlement of the Kampuchean problem.

The proposed "cocktail party", the Jakarta informal meeting on Kampuchea, is expected to be the focus of their discussion since Indonesian Foreign Minister Ali Alatas has been playing a pivotal role in arranging the meeting.

Senior ASEAN officials met here for the last few days to work out a blueprint for the foreign ministers' meeting. It was disclosed that they insisted that the complete withdrawal of Vietnamese troops from Kampuchea is the key to a settlement of the conflict.

"All parties concerned agreed that the future Kampuchea should be a neutral state posing no threat to any other country. The key step towards this goal is the withdrawal of Vietnamese troops from that country," one Asian diplomat said.

It was reported that ASEAN foreign ministers tomorrow will consider a detailed plan for seeking a political solution to the Kampuchean issue.

The plan, proposed by senior ASEAN officials, envisages a three-phase troop withdrawal by Vietnam and international guarantee for Kampuchea's neutrality, according to the sources.

The plan will be submitted to the three partners of the Coalition Government of Democratic Kampuchea (CGDK) and the Phnom Penh regime for discussion at the Jakarta informal meeting following the deliberations by the ASEAN foreign ministers here. Observers here noted that this is a fresh move by ASEAN in its continuous search for peace in Kampuchea and in the region as whole. "It is now Vietnam's turn to make a compromise," one of them said.

ASEAN Ministers Urge SRV Troop Withdrawal
OW0607005188 Beijing XINHUA in English
0652 GMT 5 Jul 88

[Text] Bangkok, July 5 (XINHUA)—Foreign ministers of the Association of Southeast Asian Nations (ASEAN) reaffirmed their belief here today that "an independent Kampuchea is not attainable without the withdrawal of foreign troops."

This was contained in a joint communique issued here today by the ASEAN foreign ministers after the ending of the 21st ASEAN foreign ministers meeting.

They reiterated in the communique their call for Vietnam to withdraw its troops from Kampuchea.

The communique stated that "Vietnam's military occupation of Kampuchea is a violation of the United Nations Charter and International Law, of the right of the Kampuchean people to self-determination, and of the principle of noninterference in the internal affairs of a sovereign state."

"The invasion and continued occupation of Kampuchea by Vietnam poses a grave threat to the peace and stability of Southeast Asia, thus endangering international peace and security," it added.

The foreign ministers reaffirmed their support for the Coalition Government of Democratic Kampuchea (CGDK) under the presidency of Samdech Norodom Sihanouk. They also recognized that the preponderant role of Sihanouk in the settlement of the Kampuchea problem would promote the various interests of all parties concerned.

The foreign ministers noted the steady progress made by the Kampuchean nationalist resistance forces and welcomed their determination to continue their just struggle against the Vietnamese occupation of their homeland.

The foreign ministers reiterated "their call for a durable and comprehensive political settlement in Kampuchea which will lead to the total withdrawal of all foreign forces, the restoration of the independence, sovereignty and territorial integrity, self-determination of the Kampuchean people under international supervision, and the achievement of national reconciliation in Kampuchea."

The foreign ministers called on Vietnam to accept an independent, neutral, and nonaligned Kampuchea.

They also called on the international community to continue to deny Vietnam any assistance of such a nature as to sustain and enhance the Vietnamese occupation of Kampuchea.

As for the Jakarta informal meeting, the communique said, "The foreign ministers reaffirmed their commitment to continue efforts in seeking a solution in accordance with the relevant UN General Assembly resolutions on the situation in Kampuchea."

The foreign ministers reiterated their resolve to hold the Jakarta informal meeting.

They called on the four Kampuchean factions and Vietnam to support and participate in the meeting and make endeavors to make the meeting a success. They also called on the international community to lend its support for the meeting.

Comparison of 'Li Peng Welcomes Jakarta Meeting'

Beijing RENMIN RIBAO in Chinese on 4 July carries on page 1 a 600 character XINHUA report by Zhang Rongdian and Zhu Yunlong, entitled "Li Peng on the

Cambodian Issue." This version has been compared with version carried by XINHUA in English at 1429 GMT 3 July entitled "Welcomes Jakarta Meeting" and published in the 5 July China DAILY REPORT on pp 10, 11, revealing the following variations:

Page 10, column 2, paragraph 2, only sentence ...Japanese press organizations at the Great Hall of the People on 2 July. They asked Li Peng whether China wishes to take part in the Jakarta meeting and other questions. [new paragraph]

He called attention...[noting additional words]

Page 10, column 2, paragraph 4, first sentence ...a fair, equitable political settlement of the...[noting addition of word "political"]

Same paragraph, sentence two ...still holds that an earlier and complete withdrawal by...[noting additional words]

Page 11, column 1, paragraph 10, only sentence ...Peng, means that China is in favor of the establishment of a provisional quadripartite coalition government in which none of the...[noting additional words]

Near East & South Asia

Bangladesh Foreign Minister To Visit in August
OW0307045588 Beijing XINHUA in English
1413 GMT 2 Jul 88

[Text] Dhaka, July 2 (XINHUA)—Bangladesh Foreign Minister Humayun Rashid Chowdhury will pay a seven-day official visit to China from August 21 this year, according to an official announcement here today.

Chowdhury will hold talks with his Chinese counterpart on international, regional, and bilateral issues of common interest. Chowdhury will also have talks with high Chinese officials, the announcement says.

India Prepares Satellite Launch Vehicle
OW0207193788 Beijing XINHUA in English
1357 GMT 1 Jul 88

[Text] New Delhi, July 1 (XINHUA)—Preparations for the launch of India's augmented satellite launch vehicle (ASLV) are in full swing at the Sriharikota in India's southeastern state of Andhra Pradesh.

In an interview with the PRESS TRUST OF INDIA today, Indian Space Commission Chairman Prof. U.R. Rao said the ASLV is scheduled to launch between July 12 and 15.

"All [word indistinct] steps have been taken to ensure that the second development flight of ASLV is successful," Rao said.

On its maiden flight in March last year, ASLV took an erratic turn and plunged into the sea following ignition failure of the rocket's first stage.

Rao said probable causes for this failure have been identified and corrections introduced in the second ASLV.

An electro-mechanical "safearm" meant as a barrier between the first stage motor and the pyrotechnic charge has been dispensed with, Rao said. The safearm was suspected to have jammed during ASLV's abortive first flight.

The 40-ton, 24-meter tall ASLV will be the workhorse of Indian space programme with a capability to put payloads up to 150 kilograms in low-earth orbit.

India To Acquire Soviet Combat Helicopter
OW0507051388 Beijing XINHUA in English
0944 GMT 4 Jul 88

[Text] New Delhi, July 4 (XINHUA)—India is likely to acquire the Mi-28 combat helicopter from the Soviet Union, it was reported here today.

Indian Army and Air Force test pilots have already flown this chopper in the Soviet Union. The exact number of Mi-28s to be acquired is not known yet. The Mi-28 will be used by the Indian Army for anti-tank and utility roles.

The Mi-28 helicopter which is among the latest combat helicopters in the world was inducted into the Soviet defense services only 2 years ago. It was only recently that the Soviet Union admitted to the existence of the Mi-28, a marked improvement on the Mi-25 given to India in 1984.

Earlier, a brigadier of the Indian Artillery had visited some European countries to try other combat and utility helicopters.

The Italian "Mangusta" and the Federal German "Bo-105" are the two European helicopters which the Indian Army favors. However, India is opting for the Soviet Mi-28 because the Soviet Union is willing to part with this advanced chopper at a lesser cost.

More Reportage on Downing of Iranian Plane

Reporter on Aftermath
OW0507194988 Beijing XINHUA Domestic Service
in Chinese 1151 GMT 5 Jul 88

[Newsletter by XINHUA reporter Xu Boyuan: "An On-the-Spot Inspection of Plane Wreck in the Strait of Hormuz"]

[Text] Tehran, 4 Jul (XINHUA)—The helicopter of the Iranian Navy in which this reporter was a passenger was circling at low altitude above the Strait of Hormuz.

Pointing at the rippling sea below, the pilot made a gesture of descending. I understood that we had arrived where an Iranian "Airbus" passenger plane was shot down by U.S. missiles early yesterday morning.

Last night Tehran's television showed pictures of many floating, disintegrated bodies and wreckage of the plane. Some of this was smoldering with smoke. What we could see today, however, was tranquility. A red oil tanker was moving slowly over the silky smooth blue water and an Iranian boat was picking up a big chunk of wreckage. The sight of this unusual disaster in modern history is shocking. Last night, people saw the 290 passengers happily waiting for the plane at Port Abbas on Tehran's television. Who could have thought that these vibrant, energetic passengers would suddenly die in the Gulf?

The accident took place yesterday morning when an Iranian passenger plane flew into the zone where U.S. warships and helicopters clashed with Iranian gunboats. Probably because of battle frenzy, the U.S. warships fired two guided missiles at the plane. One missile cut off one wing of the plane and the other hit the fuselage, and the plane was broken into two parts and immediately crashed into the Gulf. None of the 290 people on the plane survived. Among the victims were 66 children under 12 years old, and many were families. Among the 38 foreign passengers were the military attache of the Pakistani Navy to Iran and his wife and two daughters.

At first the United States claimed that U.S. warships shot down an F-14 fighter plane, and it refused to admit that it was a passenger plane until evening. At Port Abbas, a young man asked me: Was it possible that the Americans could not distinguish a passenger plane from a fighter plane, which are very different in many ways? And why did they fire the missiles if they knew the plane was a passenger plane? I answered: "Only the Americans can answer this question."

So far, less than 200 bodies have been recovered from the sea and they are all being kept in a cold storage, which has a capacity for 3,000 metric tons, at Port Abbas. Apparently, hospital mortuaries did not have enough space for the bodies. Although it was the hottest time in Port Abbas, it was as cold as winter inside the cold storage, and because of the rank odor inside I felt as though I had come to hell. The bodies, wrapped in blankets, were lying on the ground covered with plastic sheeting. The scene was horrible. I did not have the heart to examine the bodies one by one, so I hurried outside after taking some television footage and pictures. The entrance was blocked by a big crowd of people. Most of them were family members of the victims who wanted to take a last look at their parents, sons, or daughters who died a violent death.

The man-made tragedy was related to the Iran-Iraq war. Iraq has been bombing Iran's oil facilities and oil tankers in the Persian Gulf since 1984 in order to undermine the latter's economy and its oil exports. Iran reciprocates by

attacking other countries' oil tankers loaded with oil from Saudi Arabia and Kuwait on the grounds that those countries are supporting Iraq against Iran. Iran also said that "the Persian Gulf is either safe or unsafe for everybody." U.S. warships began to move into the Gulf last year in the name of providing escort for Kuwaiti oil tankers and "protecting" U.S. interests in the area. Later on the United States broadened the scope of the escorting. Over a year-long period, U.S. warships have had many direct clashes with Iran, including shelling Iran's oil platforms and attacking Iranian warships. This time, they knocked down a passenger plane.

An electronics expert in Port Abbas told me an interesting story. According to him he made many American friends during 3 years of study in the United States. Recently, while monitoring U.S. military radio communications, he recognized the voices of several former classmates, and so he joined in their conversation over the radio. He said to one: "This is my home, what are you doing at my door? Please go away!" According to him, his classmate replied: "I can't help it."

The Americans have infuriated the Iranian people by knocking down a passenger plane at their doorstep. On my return to Tehran, my taxi driver angrily said that "America as a nation is good, but its leaders are not. What they did was too nasty and inhumane." He added: "Iranian airliners have suspended operations for more than 1 day, and airliners throughout the world should do the same to express their protest."

WEN WEI PO 'Dispatch'

HK0607093688 Hong Kong WEN WEI PO in Chinese
5 Jul 88 p 2

["Special Dispatch from America" by WEN WEI PO correspondent Chang Chih-ping (1728 3112 1627): "Terrible Human Tragedy"—Shock After the U.S. Navy's Shooting Down of the Iranian Airliner"]

[Text] New York, 4 Jul (WEN WEI PO)—At 1047 (local time) on 3 July, an Airbus-300 civil airliner of the Iranian Airlines, with 290 passengers and crew members on board (among them were a Pakistani military attache to Iran and his family), was hit by a surface-to-air missile launched by the U.S. guided missile cruiser Vincennes, over the Strait of Hormuz when the airliner was flying from Bandar Abbas of Iran to Dubai of the United Arab Emirates. The Iranian passenger plane, on fire, crashed into the Iranian waters in the Persian Gulf. No one on board survived. This is another tragedy in the history of civil aviation, an incident so similar to the case of the South Korean civil airliner Flight 007 brought down by a Soviet military aircraft on 1 September 1983. The two superpowers just act wantonly over the high seas and fire at civilians indiscriminately. What a striking similarity between these two tyrannical hegemonists!

U.S. President Reagan, who was on vacation at Camp David, called this incident "a terrible human tragedy." But he also claimed that "this was an appropriate defensive action." He has ordered the Pentagon to "carry out an thorough investigation." Chairman of the U.S. Joint Chiefs of Staff Admiral William Crowe defended the U.S. Navy at a press conference, saying that the USS Vincennes and the escort vessel Montgomery were then engaged with Iranian gun boats, the captain of the USS Vincennes mistook the Iranian passenger plane for a F-14 fighter, and he ordered a firing at that aircraft only after having issued three warnings to demand a change of course without receiving any response.

In a statement, Iranian permanent representative to the United Nations Mahallati [7456 0761 2139 5530] pointed out: The missile attack by the U.S. Navy against an Iranian passenger plane which was carrying out a routine flight (five times a week) was premeditated aggressive operation, an unfeeling bloody murder, and a plain state terrorist act. Iran will take every "appropriate step" "to revenge all the martyrs who have lost their lives." It is reported that Iran will demand that the UN Security Council hold an urgent meeting to discuss the situation.

UN Secretary General Javier Perez de Cuellar and leaders of many countries have condemned this tragic incident which caused a great number of innocent civilians to die. Japanese Prime Minister Takeshita, French President Mitterrand, and British Prime Minister Margaret Thatcher have also expressed regret for this horrifying tragedy. The Libyan Government has issued a statement to denounce this "state terrorist atrocity."

The U.S. Department of State has already issued an urgent notice to all the U.S. diplomatic missions around the world, instructing them to keep alert against any possible retaliation. A U.S. expert specializing in Iranian studies pointed out: Now that the moderate faction within Iran is pushing for improvement of the country's international relations and termination of the Iran-Iraq War, there is no doubt that this incident will further aggravate the tense relations between the United States and Iran and will help to reinforce Iranian hardliners' position. And, what is more, it may further endanger the security of the nine American hostages currently held by the pro-Iranian Lebanese guerrillas.

This incident will again escalate the internal debate in the United States on the rationality of the policy on U.S. involvement in the Middle East. Robert Byrd, Democratic leader in the Senate, said: "Since the very beginning I have objected to U.S. warships' being involved in the escort operation for Kuwaiti oil tankers." Last month, Democratic Senator Adams failed in his attempt to cite the "Congress War Powers Act" to limit the United States' military involvement in the Persian Gulf. Now he once again warned of the "very dangerous situation" that the United States had arrived at in its military involvement in the Middle East.

WEN WEI PO 'Editorial'

*HK0607083688 Hong Kong WEN WEI PO in Chinese
5 Jul 88 p 2*

[Editorial: "Shooting Down of the Airbus May Affect the Presidential Election"]

[Text] The United States has been contradictory with regard to a U.S. cruiser shooting down an Iranian airbus. On the one hand, the United States has expressed its regret for the victims, believing the incident to be a "human tragedy;" on the other hand, it has stressed that there was nothing wrong with the U.S. "self-defensive action."

It is universally known that U.S.' original intent in sending its Navy to the Gulf was "to protect the free passage of international sea lanes." However, the incident of downing a civilian aircraft above the Strait of Hormuz has sabotaged the safety of civilian aviation, costing the lives of almost 300 innocent passengers. At first, the U.S. military authorities denied having shot down a civilian aircraft, then they argued that it was a self-defensive action, thus implying that the Iranian airbus was to take the blame for flying across the war zone, and ignoring U.S. Navy's order to change its air path. Hence, its being shot down was a matter of course.

However, the location in question has been an air corridor for commercial aviation. Airliners of many countries fly near the Strait of Hormuz. The deliberate firing at a civilian aircraft itself was a brutal act. The passengers on the airbus were mostly women and children as well as passengers other than Iranians. They should not have been sacrificed for the selfish priority of the U.S. Navy's security. The United States had never announced to the world that no civilian aircraft should fly over the Strait of Hormuz. It was just normal for any Iranian airliner to fly over that area in question. It was understandable that the airbus would have taken the original flight path. The U.S. cruiser Vincennes had issued warnings on civilian distress frequencies to the Iranian airbus. This showed that the U.S. had guessed that it was a civilian aircraft. Was the captain of the U.S. cruiser authorized to determine the life or death of 300 passengers, should the passenger plane ignore his warning? In the choice between the sacrifice of 300 lives of peaceful passengers and the the U.S. cruiser's security, the U.S. captain was in favor of the latter. According to a REUTER dispatch, a U.S. radar analyst said: "Neuroticism was one of the things that led to killing by mistake rather than endangering security."

The U.S. military authorities were in a hurry to draw a demarcation line between the recent incident and the incident of the Soviets shooting down a South Korean airliner. Such a mentality is understandable. There are differences between the two incidents in the place and conditions of firing. However, the effects of massacring peaceful passengers are the same. Should the United States admit its fault, apologize, and compensate the

victims, people will forgive the U.S. Navy for its error out of neuroticism and confusion. However, the United States has repeatedly stressed their so-called "right to self-defense" in defense of its erroneous act. Consequently, people will believe that the United States is unrepenting. The acknowledgement of error will show the attitude of a big power, which will not follow another criterion for right and wrong because most of the passengers were Iranians, and the airbus was Iranian for that matter. Even if the two nations were at war, it would be wrong to shoot down a civilian aircraft of the other side. If from now on, any nation should fire at an "unidentified flying object" on the grounds of self-defense only to discover that the target hit is not a military plane but a civilian aircraft, while the nation in question claims that it has the right, where is there any safety for world civil aviation! We hope that the United States will not initiate such a precedence, and believe that in the United States, a correct and reasonable understanding of the incident will be arrived at. It seems that the qualities of the U.S. Navy as well as its equipment will draw fire inside the United States itself. When the Iranian airbus was attacked, it was 7,500 feet above sea level and 14 miles away from the U.S. cruiser. It could be visually distinguished; this has been proven by television reports. However, the U.S. Navy failed to distinguish an airbus from an F-14 with its radar system, when it has satellite surveying telecommunication equipment, and a three-dimensional radar system for the joint action of its navy, air and land forces. Moreover, the U.S. "Aegis radar system is the best of its kind in the world," capable of picking up and processing various data to determine the type of plane approaching a ship, but it failed to do magic. This cannot but make people worry about the neuroticism of a commander, who will take a rocket or aircraft for natural sciences and technological experiments as an attacking nuclear missile, and trigger off a human disaster.

An Iranian issue surfacing in a U.S. presidential election year often leads to great confusion for the party in office.

The year 1980 was a presidential election year, the Democratic President Carter sent U.S. aircraft and a task force to save American hostages held in Tehran. Carter was disgraced because of the task force's mistakes in exercising the project, and was blamed by the Republicans. Eventually, Carter lost his presidential election campaign. Will the current Republican Gulf policy become a new burden on Bush, and a point of attack by his Democrat opponent? This factor will certainly become an important topic in the current presidential election year.

TA KUNG PAO on Incident

*HK0607100288 Hong Kong TA KUNG PAO in Chinese
5 Jul 88 p 2*

["Political Talk" column by Shi Chun-yu (2457 0689 3768): "Evil Consequence of U.S. Armed Intrusion Into the Persian Gulf"]

[Text] U.S.-Iranian Relations Are Deteriorating [sub-head]

The Iran-Iraq war has lasted for 8 years. The Persian Gulf has all along been an eventful region. The downing on 3 July of an Iranian airliner by the United States has added a new crisis to the Persian Gulf situation. Iran claimed that it would "retaliate on a full scale" and launch terrorist attacks on American institutions stationed in all parts of the world and their personnel. The United States has instructed all its overseas institutions place themselves "on top alert" so as to be ready for any terrorist attacks to be launched by Iran or pro-Iranian forces. The relations of the two countries have further deteriorated.

This is a shocking tragedy in which nearly 300 innocent people including women and children went down in the ocean. What a sighing sight. Shooting an airliner down with state-of-the-art weapons is an unforgivable cruel act. Although the United States claimed that it gave repeated warnings to the airliner and that the attack was launched out of "defensive" considerations and mistook the target as a fighter plane, it cannot shun responsibility for such an attack and therefore, it was condemned by the world community.

Fail To Make a Careful Judgment Before the Event [subhead]

The United States has long been aware that Iran's air force is very backward. With such a strong military power and such advanced military radar equipment, how could the United States fail to make a careful judgment before the event and hurriedly launch such lethal missiles? Obviously, the United States is responsible for the attack.

One judgment is rational, that is, the United States has always been seeking an opportunity to strike at Iran. This is a provocative mentality. Since the U.S. Embassy in Tehran was occupied by the Iranian Revolutionary Guards in 1979, U.S.-Iranian relations have been severed. U.S. warships began escort operations in the Persian Gulf last July of last year. The relations between the United States and Iran have since then once again become tense. U.S. helicopters attacked Iranian ships now and then. Last October, the U.S. armed forces again attacked Iran's petroleum bases on the sea. Last April there were frequent direct engagements between Iranian naval and U.S. air forces. Since the U.S. intrusion into the Persian Gulf, the situation in the Middle East and the Gulf has been getting tenser day by day.

The United States Expands Scope of Shipping Escort Duties in the Gulf [subhead]

Recently the United States declared that it would provide naval protection to merchant ships of other countries and regions sailing in the Gulf. In July, the Cruiser USS "Vincennes," armed with sophisticated high-tech equipment, entered the Persian Gulf, thus posing a greater military pressure to Iran.

The U.S. armed intrusion into the Persian Gulf has proved incapable of solving the Persian Gulf crisis, on the contrary, it has worsened U.S.-Iranian relations, irritating Iran to more frequently sabotage the safety of the Strait of Hormuz lane. At least in the near future, U.S.-Iranian relations will be getting tenser.

Justice Remains in the Hearts of the People, it is Useless to Defend Oneself by Sophistry [subhead]

In recent years, Iran has suffered repeated military setbacks in the Iran-Iraq war and moreover, Iran's religious leader Ayatollah Khomeini is old and sick. This being the case, Iran is trying to put an end to the situation in which it is isolated in the world community. For example, it has improved relations with Britain and France and adopted a get-near attitude toward the Soviet Union. Recently, admitting that in the past it made too many enemies, Tehran has decided to change its foreign policy, to make more friends in the world community in the days to come, and to reorganize the armed forces so as to put an end to the inferior position in recent battles with Iraq.

Regarding Iran's relations with the United States, it has been rumored that the head of the Iranian Government hinted Iran would improve relations with the United States. In this delicate situation, to our surprise, the downing of an Iranian airliner occurred. Iran, once again in a thundering rage, boosted moral and popular support using this event and waited for the opportune moment to retaliate against the United States.

The United States claimed that it was still investigating the actual state of the event. However, judged from world opinions, the hasty shooting was condemned by many as inappropriate. The whole world mourned the deceased. In this situation, the United States should take appropriate remedial measures and not defend itself by sophistry, saying the shooting was justified and done out of "defensive" consideration. Justice remains in the hearts of the people and world opinions cannot be ignored.

U.S. Concerned About Hostages in Lebanon *OW0507111788 Beijing XINHUA in English* 1822 GMT 4 Jul 88

[Text] Beirut, July 4 (XINHUA)—U.S. diplomatic sources here were deeply concerned that nine American hostages held in Lebanon might be Iran's targets of revenge for U.S. downing Sunday of an Iranian passenger plane killing all 290 passengers aboard.

Iranian Government has vowed to retaliate after the U.S. Navy shot down the Iranian Airbus. The American hostages are generally believed to be detained by pro-Iranian secret groups in Lebanon.

Lebanese Acting Prime Minister Salim al-Huss told reporters this afternoon that his country denounced the U.S. act and expressed condolences to Iran and to the berieved families.

"We hope this incident would put an end to the sorrow and regrets in the Gulf area," said al-Huss.

Sub-Saharan Africa

Fishing Fleet Arrives in Nigeria Under New Pact
OW0307010988 Beijing XINHUA in English
1818 GMT 2 Jul 88

[Text] Lagos, July 2 (XINHUA)—The first group of Chinese fishing fleet, consisting of four trawlers, arrived at Apapa port here today for co-operation with the Dolphine Fisheries Limited, a private fishing company of Nigeria.

Chinese trawlers came here from Senegal in accordance with a joint venture agreement signed here by the China National Fisheries Cooperation Co. and the Dolphine Fisheries Limited on February 8 this year.

According to the agreement, the Chinese company now owns 40 percent of shares in the Dolphine Fisheries Limited. The Chinese side will send a total of 16 trawlers here for fishing operation along Nigerian coast and within its territorial waters. The agreement will be valid for 15 years.

The executive director of the Dolphine Fisheries Limited, O. Mba Giner, told XINHUA here that the two sides have entered into cooperation in order to meet the needs of domestic and foreign markets. The joint operation would promote the friendship between the Nigerian and Chinese peoples, he added.

Two of the four Chinese trawlers are of 198 tons' displacement. The two others are of 143 tons.

Nigeria has a fishing potential of some 656,000 metric tonnes per year. Fishing production reached 535,350 metric tonnes in 1983 but declined to 333,755 tonnes in 1984. Experts here noted that at present only 54 percent of the total fish demand of the country is met through local production.

West Europe

Li Peng Meets With Portugal's Foreign Minister
LD0307014788 Lisbon Domestic Service
in Portuguese 2300 GMT 2 Jul 88

[Excerpt] The Chinese foreign minister will visit Portugal in mid-1989. The precise date is to be arranged through diplomatic channels. It was the minister himself who revealed this to Foreign Minister Joao de Deus Pinheiro during an informal chat this evening in Beijing during a dinner at the Portuguese Embassy.

However, the most important event in the official Portuguese party's day was the audience granted by Premier Li Peng to our foreign minister. Portuguese and Chinese sources disclosed that it was a meeting of mutual interest. Joao de Deus Pinheiro asked several questions on China—mostly social and economic questions—and explained aspects of Portuguese internal life and above all the new European facet since 1986.

Li Peng disclosed that the Beijing government expects inflation to be about 15 percent next year—double this year. He said that there are two important problems in the PRC: the black market and first jobs for the young. [5 second break in transmission] Li Peng was very open to Portuguese investment—above all, in the coastal region of the country. He stressed that there are concrete prospects for Portuguese exports to China in the area of railway carriages and telecommunications technology. There is also the possibility of building a shoe factory soon, with Portuguese investment in China. [passage omitted]

Zhao Ziyang Holds Talks With FRG Party Leader

Urges Soviet 'Influence' in Cambodia
OW0607062788 Beijing XINHUA Domestic Service
in Chinese 1212 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—Zhao Ziyang, general secretary of the Communist Party of China (CPC) Central Committee, met Johannes Rau, vice-chairman of the Social Democratic Party of Germany (SDPG), and members of his entourage at Zhongnanhai this afternoon.

While reviewing his visit to the Federal Republic of Germany in 1985, Zhao said that since 1984 senior leaders of the two parties have exchanged visits and made frequent contacts, thus enhancing mutual understanding.

Zhao praised Rau, who is also minister-president of the government of the state of Nordrhein-Westfalen, for his unremitting efforts to expand friendship between China and Federal Germany and to develop cooperation, particularly economic cooperation, between his state and Chinese provinces and cities.

Rau said that during his current visit, his state and China's Sichuan and Jiangsu Provinces will sign cooperation agreements. He said the state and the two provinces have held frequent exchanges in industry, culture, science and technology in recent years.

On international issues, Zhao said the CPC and the SDPG have identical views, especially on peace and development, the basic questions of the world today.

Zhao welcomed the trend toward relaxation in East-West relations, but he added that such a trend represents only a start and is still far from real relaxation and large-scale arms reduction.

He expressed the hope that the United States and the Soviet Union would continue their dialogue on disarmament.

On Kampuchea, Zhao said that China hopes the Soviet Union will use its influence to urge Vietnam to show determination to withdraw all its troops from Kampuchea as soon as possible as the Soviet Union has started to do in Afghanistan.

He noted that with the settlement of the Kampuchea question, tension in Southeast Asia will be eased, Sino-Vietnamese relations improved, and conditions provided for the normalization of Sino-Soviet relations.

He said that the Soviet Union can do something to persuade Vietnam to withdraw all its troops from Kampuchea.

He said that China takes a positive attitude to the reforms in the Soviet Union under the leadership of Mikhail Gorbachev and wishes the Soviet leader success.

On China's domestic situation, Zhao said that the Communist Party of China and the Chinese Government have become more and more open in handling affairs since the 13th CPC National Congress last fall.

However, he said, China's political reforms and promotion of democracy will take a rather long time and have to be carried out step by step in the interest of national stability since China is a large country with an underdeveloped economy and culture.

Notes 'Interesting' Soviet Reforms

LD0507154088 Hamburg DPA in German
1414 GMT 5 Jul 88

[Text] Beijing (DPA)—Johannes Rau, the SPD [Social Democratic Party of Germany] deputy chairman and prime minister of North Rhine Westphalia, was received by CPC leader Zhao Ziyang in Beijing on Tuesday. During the approximately 1-hour talk, Zhao said that the reform course of Soviet party leader Mikhail Gorbachev was "highly interesting and urgently necessary." Success for reforms in the Soviet Union would also have positive effects on a rapprochement between Beijing and Moscow, Rau quoted his interlocutor as saying before journalists.

It was learned from Rau's delegation circles that Zhao emphasized that Gorbachev's course—in contrast to the Chinese path of reform—aimed first of all at political reforms. Apparently, the Soviet leadership expected from this course a more favorable framework for economic reforms. Zhao said that the results of the Moscow party conference had been "useful."

Rau is on a 1-week visit to the People's Republic of China.

Sino-FRG Bilateral Trade Issues Explored

Trade Reaches \$4.35 Billion

HK0107101988 Beijing CEI Database in English
1 Jul 88

[Text] Beijing (CEI)—Total trade volume between China and Federal Germany in 1987 reached 4.35 billion U.S. dollars, of which China's exports amounted to 1.22 billion U.S. dollars and imports 3.13 billion U.S. dollars, resulting in a trade deficit of 1.91 billion U.S. dollars.

An official from China's Ministry of Foreign Economic Relations and Trade predicted that bilateral trade between the two countries in 1988 would remain roughly on the same level as 1987.

According to statistics, bilateral trade volume in 1987 dropped by 200 million U.S. dollars compared with 1986, because appreciation of the Deutsche mark had to a certain degree adversely affected the competitiveness of Federal German products on the world market.

Bilateral trade between Federal Germany and China has been growing steadily since 1971, when total trade volume was only 230 million U.S. dollars. In 1986, trade volume between the two countries for the first time topped 4 billion U.S. dollars, making Federal Germany China's largest trading partner in Western Europe.

Major imports of China from Federal Germany at present include machinery, steel products, chemical materials, complete sets of equipment and advanced technical know-how. Exports to Federal Germany are mainly local produce and animal by-products, textiles, chemical materials, cereals, edible oils, arts and crafts and light industrial goods.

In 1987, China introduced 105 items of advanced technology from Federal Germany, with total value surpassing that of 1986 by 34.4 percent. Federal Germany thus became the number four country to export technology to China after Japan, the United States and France.

The two governments have, since establishing diplomatic relations in 1972, signed 17 trade and economic agreements, concerning economic cooperation, investment protection, avoiding double taxation and development policies. These agreements have laid solid foundations for development of economic relations and trade between the two countries.

According to initial statistics, cooperative items between enterprises of the two countries have remained at 300 items each year and cooperation forms include cooperative production, joint ventures, compensation trade, joint research work for new products, bidding and leasing as partners and providing labor services for the third party on the world market. These cooperative programs

have involved such products as machine tools, automobiles, cranes, plastic injectors, containers, pumps, garments, measuring meters, processed meat, beer and cosmetics.

By the end of March this year, Sino-Federal German joint ventures in China had numbered 26, including the Shanghai-Volkswagen Automotive Corporation, the Tianjin Liming Cosmetics Industry Company, the Xiamen Overseas Chinese Brewery Ltd., the Guangzhou Radio and Television Center, and the Sino-German Engineering Co. Ltd. Direct investment from Federal Germany totalled more than 400 million U.S. dollars.

In recent years, Federal Germany has provided growing nonreimbursable technical assistance and low-interest governmental loans to China. Nonreimbursable technical aid last year amounted to 70 million Deutsche marks.

Federal Germany will provide 200 million Deutsche marks of low-interest loans for China this year and such aid will continue to rise in the coming years, according to German government sources.

There is great potential for economic and trade development between China and Federal Germany, an official from the Chinese Ministry of Foreign Economic Relations and Trade said, adding that the major problem is unbalanced trade between the two countries.

He said that though this problem could not be solved in a short while because of the economic conditions of the two countries, it would be possible to reduce China's trade deficit with Federal Germany.

He hoped that Federal Germany would increase imports from China, ease the quota restricts on imports of Chinese textile goods and other small products, and apply more preferential terms for exports to China, while making greater efforts to transfer technology to China and help China produce more and better goods to meet the needs of customers in West European countries.

China's exports to Federal Germany only account for 0.7 percent of the total import of the latter, the official noted. He said that China would like to reduce its trade deficit by positive means not by tightening imports from Federal Germany.

'Open' Export Policy Noted

HK0107101788 Beijing CEI Databse in English
1 Jul 88

[Text] Beijing (CEI)—China implemented 396 projects on importing technology from Federal Germany between 1981 and 1987, or 67 percent of China's total imported technology from the European Community, according to an official from the Ministry of Foreign Economic Relations and Trade.

In the first five months of this year, some 20 agreements on importing technology from Federal Germany have been signed by the two countries.

The official noted that Federal Germany has adopted an open policy towards exporting technology to China and the technology imported has been up to international advanced level.

Some of the big imported projects include those with Siemens company on co-producing program-control telephone exchanges; Messerschmitt-Bolkow-Blohm Company on co-producing Dongfanghong No. 3 communication and broadcasting satellite and MPC-75 sub-line airliners.

In 1985, China and the Schloemann-Siemag Firm of the Federal Germany signed an agreement on importing technology and equipment of hot-rolling mill-2050 and co-production. The two countries also signed a document on technologically remoulding the hot-rolling mills of the Benxi iron and steel company.

In 1986, the two countries also signed an accord on China's importing generating set equipment for Lubuge hydroelectric station in Yunnan Province; another agreement was signed between China and A.G. BASF Corp. on importing equipment which produces benzene and anhydride.

The form of technological cooperation between the two countries has been varied. They include import of technology and equipment, co-production, giving of advice and consultation such as sending of well-known experts to help China in the technological remoulding of medium and small-sized enterprises.

Financial cooperation is another aspect. The Bank of China has cooperated with banks of Federal Germany on issuing bonds, which in turn provided funds for technological cooperation.

The establishment of friendly ties between China's provinces and cities and those of the Federal Germany has further pushed forward bilateral economic, trade and technological cooperation. So far, eight provinces and cities have set up friendly ties with Federal Germany's states and cities.

The training of technicians has been conducted through various channels. Each year, some 1,600 Chinese students, graduate students and visiting scholars studied and did research work in Federal Germany. China also invited experts from Federal Germany to take part in managing enterprises in China.

In the past three years, economists from Federal Germany have trained some 150 managing personnel for China.

Fairness Urged for Sino Satellite Launchings

*OW0507134088 Beijing XINHUA in English
1127 GMT 5 Jul 88*

[Text] Beijing, July 5 (XINHUA)—A senior engineer of a Chinese satellite launching company today urged the Paris-based Coordinating Committee to be fair to China's satellite launching service for foreign customers.

"We do hope that the meeting will give the green light to foreign satellites to be launched in China," said Chen Shouchun, chief engineer of the China Great Wall Industrial Corporation, in an interview with XINHUA.

The Coordinating Committee was established in November 1949 and now has 15 member countries including the United States, Britain, France, Japan, the Netherlands and Federal Germany.

In recent years, Chen said, the committee has somewhat relaxed its restrictions on trade with China, but strict control is still imposed on the export of China's highly sophisticated products.

To use the Chinese service, he explained, foreign satellites should be shipped to Chinese territory. Therefore, the committee's member countries have to sign contracts with the approval of the committee and obtain satellite exit permits from their own governments.

The China Great Wall Industrial Corporation has already signed agreements and contracts with a number of companies in these countries, said Chen, 53, chief designer of China's "Long March No. 1" rocket.

Recently, in their attempt to shoulder the Chinese service out of the international market, some people in the West have accused China of heavy government subsidies for launchings and tendering at below-cost prices.

They have also confused foreign satellite launching by China with technology transfer.

Chen denied that his company receives subsidies from the government, saying it has to be responsible for its own profits and losses.

"On the contrary," he said, "we have to turn in profits and pay taxes to the state as required by relevant regulations."

He agreed that China charges less than European and U.S. agencies. But, he said, this is because China's labor costs are low and it does not pursue high profits in initial launchings.

Chen reiterated that China's satellite-launching service poses no threat to those of European countries or the United States.

"Our participation in the world market will provide international customers with more choice and help promote the development of the world's space industry, including satellite communications," he said.

Provincial Party Leader Hosts Norwegian Group

*SK0507094788 Harbin Heilongjiang Provincial
Service in Mandarin 2100 GMT 1 Jul 88*

[Text] At the invitation of the CPC Central Committee, the four-member Norwegian Socialist Left Party delegation headed by Chairman Erik Solheim arrived in Harbin by plane on the morning of 1 July to pay a 3-day visit to our province.

On the evening of 1 July, Sun Weiben, secretary of the provincial party committee, met at Huayuancun Guesthouse with all members of the delegation and held cordial and friendly talks with them.

Sun Weiben introduced the distinguished Norwegian guests to our province's natural resources situation and the progress in economic structural reform.

After the meeting, Sun Weiben gave a banquet in honor of the Norwegian guests.

Qi Guiyuan, member of the Standing Committee of the provincial party committee and director of the Propaganda Department; Ma Guoliang, member and secretary general of the Standing Committee of the provincial party committee; and Wang Yaochen, chairman of the provincial Foreign Affairs Office, also attended the banquet.

Beijing To Import Swedish Telephone Technology

*OW0607002188 Beijing XINHUA in English
1350 GMT 5 Jul 88*

[Text] Beijing, July 5 (XINHUA)—A contract was signed here today to import a complete set of technology from Sweden to produce three types of program-controlled digital telephone switchboards.

The signing was between Beijing Telecommunications Equipment Plant and the Ericsson Commercial Communications Co. Ltd of Sweden.

It is learned that the large switchboard to be produced with the imported technology will be able to handle 10,000 digital telephone lines.

The Beijing Telecommunications Equipment Plant is one of China's leading producers of automatic telephone switchboards.

'Jottings' on Rising British Interest Rates
HK0207080188 Beijing RENMIN RIBAO in Chinese
29 Jun 88 p 7

["Economic Jottings" by Sun Yi (1327 3015): "Why Is it That British Interest Rates Have Risen Again and Again?"]

[Text] On 22 June the British Central Bank decided to raise its market interest rates by half a percent. This was the third rise (all by half a percent) in 1 month, following increases on the 2d and 6th. As a result, interest rates were raised from 7.5 percent in mid-May to 9 percent. Several major commercial banks immediately took similar action and raised their basic lending rates.

Last month, the British Cabinet held a heated debate on the the pound's rising exchange rate. Prime Minister Margaret Thatcher maintained that the pound's rise should be regulated by market laws instead of artificial intervention. Chancellor of the Exchequer Nigel Lawson and others, however, held that it was necessary to control the continuous rise of the pound. The result of the debate showed that Nigel Lawson had obviously gained the upper hand; the Bank of England quickly announced that the interest rate was to be lowered from 8 to 7.5 percent.

The dispute about the pound's exchange rate subsided for a while, but things did not develop as Lawson wished. Although the lowered interest rate curbed the rise of the pound, it increased inflation.

With the rapid growth of the British economy in recent years, as well as the reform of the financial market and the rising tide of "financial innovation," British bank credits have developed rapidly, consumption continues to increase, and there are signs that inflation is staging a comeback. The recently released statistics reflect this fact even more clearly. The unemployment rate has fallen continuously over 22 months; the annual growth rate of workers' pay has risen from 8.5 to 8.75 percent, and the inflation rate has risen from 3.9 to 4.2 percent. If low interest rates were maintained under these circumstances, it would be dreadful to contemplate the consequences.

Therefore, although in appearance the dispute between Thatcher and Lawson centers on whether or not it is necessary to lower the interest rates to stop the pound from rising, it is essentially an issue of which road British economic development should take in the future: a low inflation rate or a low economic growth rate. As everybody knows, the British Conservative Party has always regarded low inflation as a primary objective and is determined to hold onto its gains. Out of this consideration, Lawson cannot but submit to the Prime Minister. That is why the government has raised the interests rates again and again in a very short time.

East Europe

CPC's Song Ping Receives GDR Party Leader
AU0507145688 East Berlin NEUES DEUTSCHLAND
in German 2-3 Jul 88 p 7

[Text] Beijing (ADN)—Hans Modrow, first secretary of the Dresden SED [Socialist Unity Party of Germany] Bezirk leadership and member of the Central Committee, was received by Song Ping, member of the CPC Central Committee Political Bureau, in Beijing on Friday [1 July], at the end of his visit to the PRC. During the meeting, which proceeded in a comradely atmosphere, the visitor reported on the implementation of the resolutions of the 11th SED Congress and the sixth Central Committee session. Hans Modrow briefed Song Ping on the course and results of the Berlin International Meeting on Nuclear Weapons-Free Zones; the representative delegation dispatched by the PRC had made a sizable contribution to the success of this meeting.

Song Ping expressed his appreciation for the GDR's initiative and stated that the PRC respects the people's desire for the creation of nuclear-free zones. It also respects all existing and future zones that are free from nuclear weapons. He presented a survey of the PRC's economic and social reforms that were strengthened and expanded by the 13th CPC Congress, and the steps that are being taken to tackle the problems that occur in this connection.

During a visit to Guangdong Province on the South Chinese coast, Hans Modrow held talks in Guangzhou on partnership relations between Dresden Bezirk and Guangdong Province, for which preparations are under way.

New General Secretary Named to Hungarian Front
OW0507152788 Beijing XINHUA in English
0113 GMT 5 Jul 88

[Text] Budapest, July (XINHUA)—The director of the Institute of Hungarian Communist Party History, Istvan Huszar, today succeeded Imre Pozsgay as general secretary of the National Council of the Hungarian Patriotic People's Front.

The official Hungarian news agency MTI said that the decision was made at a session of the National Council of the Patriotic People's Front.

MTI did not give reasons why Pozsgay, also a Politburo member and minister of state, was removed.

The meeting focused on the change of personnel and the tasks of the organization.

East European Countries Condemn Gulf Incident
OW0507131088 Beijing XINHUA in English
0034 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—East European countries are condemning the shooting down Sunday of an Iranian jetliner by a U.S. warship in the Gulf and demanding the pullout of foreign naval forces from the region.

In Warsaw, Foreign Ministry Spokesman Stefan Staniszewski said on Monday that the Polish public is "shocked" and "indignant" at the disaster which resulted in the deaths of all 298 passengers and crew aboard an airbus.

The Foreign Ministry said in a statement that the presence of warships of U.S. and other NATO countries has contributed to tensions in the Gulf. It supported a Soviet proposal that foreign warships be replaced by a U.N. naval peace-keeping force to ensure the safety of international navigation.

The Czechoslovak Foreign Ministry described the downing of the Iranian jetliner as an "unbridled violation" of basic international law and said the disaster was a corollary of escalated U.S. military operations in the Gulf.

The statement said the incident has made it more urgent for foreign forces to withdraw from the region in order to allow the implementation of U.N. Security Council Resolution 598 calling for a ceasefire in the Iran-Iraq conflict.

Democratic German Foreign Ministry Spokesman Wolfgang Meyer called the U.S. action an "open and indisputable" violation of international law.

Noting that the Iranian airbus was shot down over the high seas, he said an end to foreign interference in the Gulf is urgently called for to insure peace and stability in the region.

Polish Newspaper Urges Reform of Comecon
OW0607045788 Beijing XINHUA in English
0545 GMT 5 Jul 88

[Text] Warsaw, July 4 (XINHUA)—The Polish newspaper "ZYCIE WARSZAWY" says the management of the Council for Mutual Economic Assistance (Comecon) is in need of fundamental reform.

The paper charged Comecon with failing to keep pace with developing situations and said its member nations must find answers to current challenges.

It called on the council to renounce antiquated formulas and to change the regulations for cooperation thoroughly instead of merely mending them.

Comecon must change the old management system under which governments negotiate agreements for the implementation of common plans, it said. It added that although the necessity for reform of the organization is being more and more understood, no ready solutions have yet emerged.

Comecon holds its 44th conference beginning Tuesday in Prague, Czechoslovakia. It is scheduled to discuss "collective principles" of its member countries on international division of labor during the years from 1991 to 2005.

Comecon, with its headquarters in Moscow, was established in 1949. It is comprised by the Soviet Union, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Democratic Germany, Mongolia, Cuba, and Vietnam.

Latin America & Caribbean

Deng Xiaoping Meets Brazilian President Sarney

Mentions Retirement Plans

HK0507155488 Beijing ZHONGGUO XINWEN SHE
in Chinese 1511 GMT 5 Jul 88

[Report by Li Wei (2621 0251): "Deng Xiaoping Says: Zhao Ziyang Is China's 'General Housekeeper'"—ZHONGGUO XINWEN SHE]

[Text] Beijing, 5 Jul (ZHONGGUO XINWEN SHE)—Deng Xiaoping, "China's number one man" as he is called by foreigners, this morning told Brazilian President Sarney: "General Secretary Zhao Ziyang is our general housekeeper." Deng also told Sarney that he would go to the seashore to swim a few days later.

Deng Xiaoping made the above remarks after Sarney praised him for his fit condition.

Deng said: You are a young man, while I am getting older and older like a setting sun (laughing). I am going to the seashore to swim for a few days. I swim for a month and a half every year. As long as I can still swim, I can prove that I am still in good condition. But, anyway, I am at an advanced age now. Therefore, I began to make preparations step by step for my retirement, and now I have basically handed over all my duties. Now we mainly have Zhao Ziyang and Li Peng to take charge of the affairs. General Secretary Zhao Ziyang is our general housekeeper.

Sarney told Deng Xiaoping: "You still can do many things for your country." Deng Xiaoping replied: I can offer some ideas. The progress made in China in the past few years should mainly be attributed to them.

Confirms Zhao as Heir Apparent

HK0607074588 Hong Kong HONGKONG STANDARD
in English 6 Jul 88 p 1

[Text] Beijing: China's senior leader Deng Xiaoping, 83, spoke publicly for the first time about his death as he told Brazilian President Jose Sarney he had taken "final steps" to assure his succession.

Speaking before journalists at the start of his talks yesterday with the Latin American leader, Mr Deng said he had reached "the sunset of my life," according to the Portuguese translation of his remarks.

He also confirmed Zhao Ziyang as his heir apparent, advising Mr Sarney to remain "good friends" with the Chinese Communist Party general secretary who, Mr Deng said, would lead China for the next 10 years.

It was not the first time that Mr Deng had presented Mr Zhao as his successor. Speaking on June 7 to visiting Polish Premier Zbigniew Messner, he said Mr Zhao had succeeded him as chairman of the party's powerful Central Military Commission.

But prior to yesterday, observers said, Mr Deng had never spoken so clearly about his departure from the political scene or about his death, although he appeared to be healthy and fit as he spoke with Mr Sarney.

Mr Deng Xiaoping told Mr Sarney that swimming was the key to his continued good health, an official report said.

"As long as I can swim, I will be healthy," Mr Deng said after Mr Sarney had commented on the leader's good health.

Further Activities of Brazil's President

Meets Zhao Ziyang

OW0507135188 Beijing XINHUA in English
1241 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—Zhao Ziyang, general secretary of the Chinese Communist Party Central Committee, and Brazilian President Jose Sarney conferred on strengthening bilateral friendly and cooperative relations during their meeting here today.

Zhao recalled the warm reception he received during his visit to Brazil in 1985. He also expressed the belief that Sarney's present visit will promote the development of bilateral relations.

He hoped that the two countries would unite their efforts to expand bilateral relations.

He said, "The important thing in strengthening bilateral cooperation is to share experiences in national construction. As both nations are equipped with some advanced technology, they can expand their cooperation on the basis of mutual benefit."

Sarney said that Brazil and China should complement and help each other.

On China's situation, Zhao said, "Our present task is to solve the problems of the socialization, commercialization and modernization of our production. The market should be made to play its due role in the country's economy through reforms."

He said that the real characteristics of China's economy are that the state controls the market and the market guides enterprises, which are free from state interference.

Sarney expressed his admiration for China's great determination and its open policy of reform.

In the afternoon, Sarney and his party toured the Summer Palace.

Discusses Cooperation With Deng

HK0607101288 Beijing RENMIN RIBAO in Chinese
6 Jul 88 p 1

[Dispatch by reporter Li Jingwei (2621 2529 5898): "Deng Xiaoping Meets Sarney, Says There Is a Sound Political Basis for Sino-Brazilian Cooperation"]

[Text] Beijing, 5 Jul (RENMIN RIBAO)—Central Military Commission Chairman Deng Xiaoping met with Brazilian President Sarney and his entourage at the Great Hall of the People this morning. The guests and the hosts exchanged their views on issues concerning bilateral relations.

Deng Xiaoping said: There is a sound political basis for expansion of cooperation between China and Brazil. Both countries have advantageous conditions, but Brazil now has a better basis than China. Our difficulty is that our starting point is too low.

Sarney said Brazil is willing to deepen its relations with China step by step and steadily.

Talking about world peace, Deng Xiaoping said: Third World development is the major guarantee of world peace. China considers its own development as a contribution to mankind, a guarantee for world peace. We have not yet fulfilled this historical duty and, at the moment, we are paying this debt. Deng noted: To make contributions to mankind we mainly rely on ourselves. Third World countries must enhance cooperation between them. As China and Brazil share a common historical position and responsibility, they should learn from each other to make up each other's deficiencies.

Sarney fully endorsed Deng Xiaoping's thorough analysis. He said: According to the same principle, we are to strive for unity among the Latin American countries and

the regional integration of Latin America. He said: Brazil and China have common needs and share common aspirations. We should struggle side by side to build our countries.

Deng Xiaoping emphasized: Developing countries are backward in some, but not all, aspects. In this regard China and Brazil have something in common. He said: For the time being, a war is not likely to erupt in the world. So we may enjoy a pretty long peaceful period. We must seize this opportunity to overcome difficulties and develop our countries.

Samery expressed his appreciation of the policies that the Chinese Government is currently pursuing. He also stressed China's important role in international affairs. He pointed out: If the future development of China's modernization drive was not taken into account, the 21st century could not be a century of the Pacific.

Further Reportage on Sino-Brazilian Relations

Bilateral Cooperation Assessed

OW0207084488 Beijing XINHUA in English
1535 GMT 1 Jul 88

[Text] Beijing July 1 (XINHUA)—Cooperative relations between China and Latin American countries in the fields of politics, economy, trade, science, technology, and culture are enjoying "rapid and satisfactory development," Chinese Vice Foreign Minister Zhu Qizhen said here today.

Discussing the current state of and prospects for Sino-Latin American relations, Zhu made the remark in an interview with XINHUA, prior to the upcoming visit of Brazilian President Jose Sarney.

New China began to have unofficial contacts with Latin American countries in the early 1950s, followed by intergovernmental contacts in the 1960s, Zhu recalled.

In the past 20-plus years since then, 20 of the 33 independent Latin American nations have established diplomatic relations with China. These nations account for 90 percent of the total population and 96 percent of the total area of Latin America.

China has maintained good relations with these countries, and has signed with them many treaties on trade, culture, and economic, scientific, and technological cooperation, and other types of bilateral agreement, Zhu said. China has also formed a system for regular consultations on international issues and bilateral relations with some Latin American countries.

Zhu attributed this rapid development to the absence of conflicts in fundamental interests. With similar historical experiences and facing the common task of developing their national economies, the vice minister said,

China and Latin American countries share comprehensive and identical viewpoints on a variety of major international issues, and maintain consistent mutual support and sympathy.

At present, China maintains trade relations with all Latin American countries, Zhu said. Total trade volume rose from 7.69 million U.S. dollars in the late 1950s to 2.568 billion U.S. dollars in 1985. Zhu said he expects Sino-Latin American trade relations, and economic and technological cooperation to enjoy continued development, so long as sustained efforts are made to overcome unfavorable factors.

Contacts between Chinese and Latin American businessmen at present are infrequent, and they lack understanding of each other's demands for trade commodities, according to a source from the Ministry of Foreign Economic Relations and Trade. This, coupled with unsuitable patterns of import-export commodities on both sides, meanwhile, has resulted in a moderate trade volume between China and the Latin American countries, the source said.

However, with abundant natural resources and large markets available on both sides, Sino-Latin American trade has great potential, the source said.

Vice Minister Zhu said China has also maintained trade and cultural contacts and exchanges of visits with those Latin American countries that have not yet established diplomatic relations with China.

"It has been our stand that so long as they recognize the People's Republic of China as the sole legitimate government of China and cut official ties with the Taiwan authorities, the Chinese Government will be willing to form and develop official relations with them on the basis of the Five Principles of Peaceful Coexistence," Zhu said.

Expressing China's sympathy over the heavy burden of foreign debt faced by Latin American countries, Zhu reiterated China's support for Latin American countries in their struggle of safeguarding national independence, developing the national economy, and setting up a new order for the international economy.

China also backs Latin American nations' stand for a peaceful solution of the Central America problem without any outside interference, Zhu said.

Talking of the significance of Brazilian President Sarney's visit, he described Brazil as the biggest nation in Latin America, playing an important role in the region. Since China and Brazil formed diplomatic relations in 1974, the two countries have paid great attention to the development of friendly, cooperative relations, he said.

Undoubtedly, the forthcoming visit by President Sarney, to which the Chinese Government attaches great importance, will contribute to the overall development of relations between the two countries, the vice minister said.

Also, the development of Sino-Brazilian relations will help promote China's relations with other Latin American countries, he added.

Cultural Exchanges To Increase
OW0207162288 Beijing XINHUA in English
1115 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—China will send performing arts troupes to Brazil's first China arts festival scheduled for this September.

"These visiting artists will perform traditional Chinese art forms including Beijing opera and acrobatics," an official from China's Ministry of Culture announced today.

"The past few years have witnessed both countries becoming more involved in cultural contact," the official said.

In 1985, he went on, China and Brazil signed a culture and education agreement, which was the first of its kind to ever be signed between Brazil and a socialist country.

According to the official, since 1984, China has hosted some well-known artists from Brazil, including a writer and a television star, while a TV series on China, produced by a Brazilian film and television company, won a TV award in Brazil last year.

The official also said, to date, China has sent several groups to visit Brazil, including a government cultural delegation and two performing arts troupes.

An official from China's State Science and Technology Commission said, Sino-Brazilian cooperation in science and technology has seen a boost in recent years, and now the two countries have plans to cooperate in the research and launching of earth resource satellites.

The official also said he believes Brazilian President Jose Sarney's coming visit will make way for even closer cooperation in science and technology between the two countries.

China and Brazil decided to join forces on 44 projects during meetings of their combined committee on science and technology, which has met both in Beijing and Brasilia.

The first government-level agreement on scientific and technological cooperation was signed in 1982, and a supplementary accord was signed in 1984 which spelled out cooperation between the two countries in industry, agriculture, public health, electronics and electric power, the official explained.

Between 1982 and 1987, 177 Chinese and Brazilian scientific and technological groups involving 334 individuals and including government delegations exchanged visits, the official reported.

Yang Shangkun Welcomes Bolivian Legislators
OW0607104488 Beijing XINHUA in English
1018 GMT 6 Jul 88

[Text] Beijing, July 6 (XINHUA)—Chinese President Yang Shangkun welcomed a Bolivian parliamentary delegation led by Willy Vargas Vacafior, president of the Chamber of Deputies, to China on the eve of the third anniversary of the establishment of diplomatic relations between the two countries.

Yang said, "It will be beneficial to both countries to exchange opinions on issues of common interest and learn more about each other, because this will help bilateral relations develop and promote mutual understanding."

Vargas said he and his delegation are very pleased to have this chance to visit China, and during the visit both sides have held meaningful talks which will no doubt promote mutual understanding and friendship.

Later this afternoon, State Councillor and Mayor of Beijing Chen Xitong also met with Vargas and his party in the Great Hall of the People.

NPC Vice Chairman Hosts Colombian Delegation
OW0207051288 Beijing XINHUA in English
1500 GMT 1 Jul 88

[Text] Beijing, July, 1 (XINHUA)—Liao Hansheng, vice-chairman of the Standing Committee of the National People's Congress (NPC), gave a banquet here this evening in honor of a delegation from the Colombian House of Representatives.

In his toast, Liao said that during the eight years since the establishment of the diplomatic ties between the two countries, the bilateral friendly and cooperative relations in all aspects have enjoyed a sound development.

He said that the frequent parliamentary contacts have been active factors in the bilateral relations.

He pointed out that China and Colombia share identical or similar views on many international issues, saying that China is willing to share its experience with Colombia in developing economy.

Carlos Espinosa Facio-Lince, head of the delegation and chairman of the Foreign Affairs and Military Commission of the Colombian House of Representatives, said that his delegation is here to see the practical spirit of the Chinese people and China's reforms.

He pointed out that the traditional friendship between the two peoples and the contacts between the two parliaments may promote the bilateral economic cooperation and culture exchange.

The delegation arrived here this afternoon.

National Conference on Public Security Continues

Li Peng Addresses Conference

OW0507154088 Beijing XINHUA in English
1321 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—China should strengthen its public security work to create a more stable political environment for the country's current reform, said Li Peng, premier of the State Council, here today.

Li, also a member of the Standing Committee of the Political Bureau of the Chinese Communist Party (CPC) Central Committee, noted that the public security will play an important role in the country's efforts to establish a new order of socialist commercial economy.

At an on-going national conference of directors of public security from all over the country which opened here last Monday, Li said that deepening the reform will unavoidably cause some "social upheavals" and sharpen various contradictions.

Organs of public security should be fully prepared to deal with any kind of trouble-making, riots, sabotage and serious crimes, Li urged.

While strengthening its legislation on the work of public security and promoting democracy and openness in government work, Li said, China should also persist in its principle of the people's democratic dictatorship, and give heavier penalties for serious crimes harmful to the country's political stability.

More than 200 participants that reform of the security system should be carried out to meet the needs of the new situation in China.

The premier asked governments at various levels to bring public security work into line with state and local social development plans.

Qiao Shi, another member of the Standing Committee of the Political Bureau of the CPC Central Committee, also gave a speech today at the conference, which will close tomorrow.

Before today's meeting, the participants were received by Li Peng, Qiao Shi, State Councillors Wang Fang and Chen Junsheng.

Wang Fang Urges Vigilance

OW0607140388 Beijing XINHUA in English
1330 GMT 6 Jul 88

[Text] Beijing, July 6 (XINHUA)—China's public order situation is basically stable but faces possible turmoil, State Councillor and Minister of Public Security Wang Fang said here today.

At the closing ceremony of a national conference for the directors of public security, Wang reminded the more than 200 participants not to lower their guard against various factors which might affect the country's political stability and social order.

While riots—especially ones involving anti-revolutionary activities—are on the rise, Wang said, sabotage instigated from abroad has also recently been intensified.

There has also been a sharp increase in criminal activities, the minister said, mentioning prostitution, gambling, appearance of pornographic publications and drug-taking.

Incomplete statistics show that over the past few years China has each year dealt with more than 500,000 criminal cases and over 1.2 million cases of public disorder.

Theft made up 90 percent of all those cases, the minister said. Wang recommended heavier penalties for serious crimes harmful to the country's policy of reform and opening to the outside world.

Li Ximing Urges Party To Overcome Obstacles

OW0207023088 Beijing XINHUA Domestic Service
in Chinese 1417 GMT 26 Jun 88

[By correspondent Zhong Zhuo and reporter Wang Wei]

[Text] Beijing, 26 Jun (XINHUA)—Li Ximing, Political Bureau member of the CPC Central Committee and secretary of the Beijing Municipal CPC Committee, spoke today in Beijing at a meeting on reporting the outstanding deeds of party members. He said: Currently, reform has entered a crucial new stage. We need to overcome obstacles in price, wage, and labor system reform. Party members should advance by braving the waves and overcome difficulties and obstacles in reform with an indomitable will and a fighting spirit.

Li Ximing said: Reform has an impact on the traditional way of thinking and doing things; it affects people's interests and produces psychological stress; hence contradictions, difficulties, and risks arising from reforms are strikingly different. Turning our back on reform means a total loss of past endeavors; there is no future in taking such a step. Only by forging ahead and overcoming difficulties and obstacles will a straight road lie ahead of us and a new situation await us.

This afternoon, some 3,000 party members, delegates from advanced party branches, and responsible persons from the grass-roots party organizations in the capital, gathered at the Great Hall of the People to hear reports of the deeds of outstanding party members from Beijing. Li Ximing, Chen Xitong, Jiao Ruoyu, Zhao Pengfei, Bai Jiefu, Wang Weicheng, and Liu Zepeng attended the meeting.

Li Ximing said: Recently, the party Central Committee proposed the general goal of "realizing the four modernizations and reviving China" and called on party members and the people to unify thinking, coordinate, keep up the spirit, struggle hard, and steadfastly advance the cause of reform and socialist modernization. Party members should take the lead in responding to the call of the party Central Committee, uphold the ideal of communism when engaging in reform and production, and fire up the revolutionary spirit of a lifetime struggle for the cause of communism; they are the source of strength and spiritual support for us communists.

He said: Adhering to the communist ideal is one of the basic demands the party Constitution places on party members; it is also an objective requirement in the building of socialism with Chinese characteristics. In such a large, developing country as China, it is no good merely to talk about material requirements or personal interests. Rallying the strength of the whole nation requires spiritual support and spiritual force. If a communist member at this stage wants to adhere to the communist ideal, he has to struggle for the grand goal of "realizing the four modernizations and reviving China." This is a goal which can rally and unite millions of people to strive for and is the nation's spiritual support.

Li Ximing stressed: Communist members are soldiers of proletariat pioneers. They should be pioneers and models in the struggle for "realization of the four modernizations and the revival of China." If they are disloyal to, and unenthusiastic about, this struggle, they then turn their backs on the highest ideal of the party; and they cannot be said to be good communists.

Li Ximing also said: Currently, our reform is faced with problems of great dimension; and there are many contradictions. There are no cure-all solutions to these contradictions. There will always be mistakes of varying degree when executing the law, policy, or formulating systems, and in daily work. Under such circumstances, we should particularly stress the correct handling of interests involving the state, collective, and individuals, between short and long-term interests. We should, when the interests of the party and the long term and general interests of reform come into conflict with partial, individual, short-term interests, make room for the former.

He called on the party members to learn from the spirit of hard struggle from outstanding party members, and avoid bureaucratism, seeking of personal comfort as practised by some comrades; as well as remove the passivity and lethargy found in some comrades; instead, we should pragmatically try to increase production and create more wealth for our country.

New Ministry of Aero-Space Industry Inaugurated
OW0507114588 Beijing XINHUA in English
1035 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—By 1995, China's new Aero-space Industry Ministry will supply the country's Air Force with several Qian 8-2 fighter planes and develop more passenger planes.

Speaking at the ministry's inaugural meeting today, Lin Zongtang, the newly-appointed minister, said, by 1995, China will develop a new generation of strategic and tactical missiles, modify the "Long March" series of carrier rockets, and launch several types of application satellites.

He also said, during the first half of this year, China successfully conducted experiments on three new-type missiles and finalized designs for the Qian 8-2 fighter.

China's communications and broadcasting satellite launched last March is now in operation, Lin added.

The Aero-space Ministry was created by combining the existing Aeronautics and Astronautics Industry Ministries. Keeping in line with the principle of separating government and enterprises, the new ministry will focus on macro-management, supervision and inspection departments, and major product development.

According to Lin, the new ministry has only 21 departments, which is 54 percent less than the two former ministries, and staffs less than 800, or 60 percent less than the combined staff of the former two.

During the restructuring process, Lin said, some people will be transferred to the scientific and technological research academy, to companies developing technology and civilian products or trade firms, or to appraisal and consultation projects.

Lin said his ministry will organize several aero-space industrial groups to promote export-oriented and hi-tech production.

During the next few years, the ministry will focus on production for civilian use, developing 100 different import substitutes, and selling its products: especially machinery and electrical goods, on the international market.

Zou Jiahua, Zhu Rongji Open Aviation Bureau
OW0307130388 Beijing XINHUA Domestic Service
in Chinese 1642 GMT 25 Jun 88

[By reporter Feng Yizhen]

[Text] Shanghai, 25 Jun (XINHUA)—Structural reform of civil aviation departments involving separating the function of government from that of enterprises has been, by and large, completed, according to an announcement today.

As a result of the reform, a civil aviation enterprise engaged in airline business is separated from the administrative department, that is, the Shanghai Civil Administration, which used to govern six eastern provinces and one municipality. The East China Civil Aviation Administration and China Eastern Airlines were officially inaugurated today.

State Councillor Zou Jiahua; Zhu Rongji, mayor of Shanghai; Hu Yizhou, director of the Civil Aviation Administration of China; Jiang Yutian, deputy commander of the Nanjing Military Region and commander of the air forces in Nanjing, and officials of other relevant departments attended the inauguration ceremony. Comrades Zou Jiahua and Hu Yizhou spoke.

The East China Civil Aviation Administration will exercise administration and is responsible for air control; it will no longer directly manage airline business. China Eastern Airlines will be an economic entity that undertakes independent accounting and assumes sole responsibility for its profits and losses. It assumes the tasks of flying four international and two regional routes, including services between Shanghai and Japan; from Shanghai to Hong Kong via Hangzhou; and regular chartered flights from Fuzhou, Xiamen, Nanjing, and Qingdao to Hong Kong. It is also responsible for flying 70 domestic routes from Shanghai to 30 large and medium-sized cities around the country. In addition, this company also manages airline business from Shanghai to all parts of the world and its special air planes offer such services as aerophotography, mineral prospecting, insect control, air seeding, and artificial rain.

After the reform, the various civil aviation airports in east China will also become independent economic entities responsible for airport management, flight security, and ground services. They are open to all airlines.

CHINA DAILY on Space, Aviation Industry Plans
HK0607083488 Beijing CHINA DAILY
in English 6 Jul 88 p 1

[By staff reporter Liu Dizhong]

[Text] China has mapped out concrete plans to push its aviation and space industry on to a new stage in the next decade.

Included in the 1988-95 research and production programme of the newly-established Ministry of Aeronautics and Astronautics Industry are a series of new military and civil planes, advanced strategic and tactical missiles, Long March carrier rockets with improved capability and various satellites.

This information was disclosed yesterday by Minister Lin Zongtang at a ceremony to inaugurate the new ministry.

The plans are part of China's efforts to consolidate its established position in the world space industry and enhance the strength of its national defence, the minister said.

As a first step, a ministry spokesman told CHINA DAILY the ministry will use the new Long March-IV rocket this autumn to send into space the nation's first geostationary meteorological satellite.

The new carrier rocket, developed at a space industry base in Shanghai, has three stages and can carry loads of up to 2.5 tons into geostationary orbit.

Over the first half of this year, Lin said, experiments were conducted on three new types of missiles, and the design of the F-8-II fighter was also finalized.

Four new types of aircraft will make their maiden flights this year, he added.

Although most enterprises under the ministry have shifted to civilian production, top priority should be firmly given to development of the aviation and space industry by closely following the most advanced world technology, the minister said. Meanwhile, Lin said, the ministry would expand its exports of aviation and space products. "We must resolutely help our products to elbow their way into the world market," he added.

According to a ministry official, serious discussions are under way between China and Brazil on joint research and manufacture of natural resource survey satellites. Deputy Minister Sun Jiadong is now on a tour of Brazil for the purpose.

A number of contracts have been signed for China to launch satellites for foreign companies. Also several companies in the United States, Australia, West Germany, Switzerland and France have asked to rent space on China's retrievable satellites.

The accident involving the U.S. space shuttle Challenger in 1986 provided China with the chance to expand its satellite launching service for the world community. "The successful preparation of the Discovery means a new challenge to China in the world market," the official said.

The accident involving the U.S. space shuttle Challenger in 1986 provided China with the chance to expand its satellite launching service for the world community. "The successful preparation of the Discovery means a new challenge to China in the world market," the official said.

However, he believed, Chinese satellites and rockets are quite competitive since their prices are 15 percent lower than those of their foreign rivals.

Minister Lin zongtang said that a number of powerful enterprise groups will be formed to spearhead high-tech research in the aviation and space field and to expand exports

Ministry of Light Industry Restructures Functions
*OW0307131788 Beijing XINHUA Domestic Service
in Chinese 2353 GMT 18 Jun 88*

[By reporter He Ping]

[Excerpts] Beijing, 19 Jun (XINHUA)—This reporter has learned from State Council sources that the Ministry of Light Industry has paid more attention to avoid taking the old path of reorganization in structural reform. The ministry has carried out structural reform after reviewing the functions of its offices to make rational changes. Offices were set up according to the revised functions and the size of staff was determined according to the revised functions of each office.

According to a briefing, light industry has 44 different trades with over 70,000 enterprises and over 10,000 kinds of products. Its output value last year totaled 165.7 billion yuan, and the amount of profits, tax, and foreign exchanges earned accounts for one fifth of the amount made by all the industries combined. However, the industry's further growth was hampered by departmentalism, a lack of distinction between the functions of the government and those of the enterprises, ambiguity in the responsibility of various offices, and its established administrative structure.

In light of this, the ministry has made functional changes the heart of its ongoing structural reform. However, because of the differences in understanding among the cadres, abrogation of its specialized bureaus became the most difficult problem in the ministry's drive for functional changes.

The leadership of the ministry began with an analysis of the ministry's current functions, deciding which are government functions to be retained in the new structure or entrusted to trade associations (or federations), and which are nongovernmental functions from a macroeconomic point of view, to be delegated to the local authorities or to the enterprises. [passage omitted]

After readjusting and restructuring, the ministry has strengthened and expanded the functions of its general departments responsible for macroeconomic regulation and control and reduced the functions of its specialized departments. In addition, it has instituted competition as a mechanism and the contract responsibility system in the logistics and office service work. Currently, the ministry has 15 administrative units at the departmental and bureau level, a reduction of 25 percent from the original 20 units, and 570 administrative personnel, a reduction of 39.1 percent from the original 936 persons.

NPC Standing Committee Finalizes Various Actions

Appointments, Removals

*OW0307104188 Beijing XINHUA Domestic Service
in Chinese 1420 GMT 1 Jul 88*

[Text] Beijing, 1 Jul (XINHUA)—The NPC Standing Committee's Namelist of Appointments and Removal

Approved by the Second Meeting of the Seventh NPC Standing Committee on 1 July 1988

1. Appointment of Lin Jianqing as vice chairman of the Seventh NPC Law Committee.
2. Appointment of Zhang Youyu, Li Youjiu, Gao Xijiang, and Guo Riqi [6753 2480 7871] as advisers to the Seventh NPC Law Committee.
3. Appointment of Yu Shutong and Cao Haibo [2580 3189 3134] as advisers to the Seventh NPC Internal Affairs and Judicial Committee.
4. Appointment of Li Chengrui [2621 2052 3843] as adviser to the Seventh NPC Financial and Economic Committee.
5. Appointment of Shao Tianren, Chen Daosheng [7115 6670 3932], Chen Luzhi, and Shen Daming [3088 6671 2494] as advisers to the Seventh NPC Foreign Affairs Committee.
6. Appointment of Hong Sisi and Xu Datong as advisers to the Seventh NPC Overseas Chinese Committee.
7. Appointment of Hua Liankui [5478 5114 1145] as vice president and member of the Judicial Committee of the Supreme People's Court.
8. Appointment of Huang Jie [7806 2638] as chief judge of the Administrative Division of the Supreme People's Court.
9. Removal of Zheng Tianxiang from the post of member of the Judicial Committee of the Supreme People's Court.

Confirmation of Honorary Medals

*OW0307122288 Beijing XINHUA Domestic Service
in Chinese 0134 GMT 2 Jul 88*

[Text] Beijing, 2 Jul (XINHUA)—Decision of the NPC Standing Committee Approving the Central Military Commission's "Regulations on Conferring the Honorary Medals of the Chinese PLA on Demobilized and Retired Army Cadres"

(Approved on 1 July 1988)

Decision of the Second Meeting of the Seventh NPC Standing Committee: The Central Military Commission's "Regulations on Conferring the Honorary Medals of the Chinese PLA on Demobilized and Retired Army Cadres" are hereby approved. They will be promulgated and put into force by the Central Military Commission.

Affirmation of Military Ranks

OW0307124988 Beijing XINHUA Domestic Service
in Chinese 0132 GMT 2 Jul 88

[Text] Beijing, 2 Jul (XINHUA)—The NPC Standing Committee's decision on affirming the military ranks conferred on military officers in 1955-1965

(Approved on 1 July 1988)

The second session of the Seventh NPC Standing Committee has examined and discussed the Central Military Commission's proposal on affirming officers' military ranks conferred in 1955-1965, and has hereby affirmed their military ranks with the exception of those who have been sentenced to death, life imprisonment, or over 3 years' fixed terms, or discharged from the Army on charge of treason, other counterrevolutionary crimes, or other crimes in accordance with law and those whose military ranks are not affirmed according to the Central Military Commission's stipulations.

GUANGMING RIBAO on Boring Political Slogans

HK0307090288 Hong Kong AFP in English
0858 GMT 3 Jul 88

[Text] Beijing, July 3 (AFP)—Slogans bore the Chinese, making it harder than ever for the Communist Party to get its ideological message across to the masses, the intellectual GUANGMING DAILY said Sunday.

"Revolutionary slogans are no longer strong enough to inspire the people as before," the official newspaper said.

"We continue to have slogans...but reaction is lukewarm. Fewer people study them," it said.

Slogans are an integral part of modern China's political culture, although they have been less pronounced since the death of Mao Zedong and the demise of the Cultural Revolution in 1976.

Panels outside the Forbidden City here hail "long life" for Communist China and international solidarity. Countless posters plugging China's one-child-per-family policy are seen throughout the country.

A city especially rich in slogans is Fuzhou, capital of coastal Fujian Province.

Journalists who recently visited there found billboards declaring "Efficiency is life; time is money" and "The flowers of socialist spiritual civilization are in bloom everywhere."

Describing public discontent with Communist Party rule, GUANGMING DAILY said the "prestige of ideological work" had not yet been restored 12 years after the decade-long Cultural Revolution came to an end.

"The masses are not only dissatisfied with unhealthy tendencies of leading cadres," it said. "They are also dissatisfied with the privileges enjoyed by leading cadres and their children."

Reforms and an open-door policy have also brought with them corruption, it added, hammering a point made almost daily in the Chinese press.

The newspaper called for greater efforts by leading figures to reach grassroots Chinese through broadcast media, the press, films and magazines. It also proposed that adults be given more time to pursue studies on weekends.

Xia Yan Interviewed on Reform Problems

HK0607064588 Shanghai SHIJIE JINGJI DAOBAO
in Chinese 20 Jun 88 pp 1, 16

[Article by reporter Zhang Weiguo (1728 0251 0948):
"An Interview With Xia Yan"]

[Text] Despite the tortuous journey our history has taken during the past 70 years since the May 4th Movement of 1919 the banners of "democracy" and "science," which were upheld by the movement, remain a prime topic of discussion in our existing society.

In his bedroom, Xia Yan, a man as old as the century, bared his worries based on his profound understanding of Chinese contemporary history in a special interview with this reporter in Beijing a few days ago. While talking about the tremendous changes over the last 40 years, the gaze shooting through his presbyopic glasses shone as ever. Our topic was serious, but Xia Yan made his comments in a calm tone of voice.

Poor Quality People Constitute Most Dangerous Problem [subhead]

"In my view, the authorities have committed three big mistakes since the founding of the People's Republic of China. First, they have paid little attention to education. At present about 1/4 of the entire population are illiterate or semi-illiterate and new illiterates continuously swell the ranks. Second, the authorities have not instituted rule by law. Mao Zedong himself advocated defying laws human and divine, and justified rebellion. There was neither a civil nor criminal law before the 3d Plenary Session of the 11th CPC Central Committee and only provisional regulations were available, apart from the Constitution and the Marriage Law. As a result during the 10-year turmoil, the head of state and members of the CPC Central Committee were placed under arrest without warrants; clandestine tribunals were allowed; criticism, scolding, and beating of victims went unchecked; and even the head of state was tortured to death. Third, the population problem.

The first two mistakes can be corrected if they are clearly and genuinely realized, while the last one will defy redress even if it is recognized. A number of China's mineral products rank first or second in the world in terms of total output, but they are not far from last in per capita yield. The most dangerous problem of all is that the quality of the entire nation totaling over 1 billion, will go down if we don't step up education in culture and science."

The day I visited Xia Yan happened to be International Environment Protection Day. He took the occasion to say with deep feeling: "In the final analysis, culture is to blame for so many indiscriminate tree-fellings in China. If people realize the serious consequences, they will differentiate between immediate and long-term interests. With poor quality people everything, including developing the productive forces, will be out of the question. Therefore, education is a major problem."

Without Education, Everything Is Out of the Question [subhead]

Xia Yan keenly appreciates the big difference between modern science and the science talked about during the May 4th Movement. Modern science is developing in seven-league boots. The electronics era, the laser era, the biological science era, and new materials have made their appearance in turn. At present, everyone is vying to develop the superconductor. If successful, the world will undergo a genuine change. Again, it takes a shorter and shorter time for achievements in scientific research to find expression in commodities. For example, the electronic computer came into being in 1946 and proceeded through four generations in only 40 years. We now have the fifth generation of artificial intelligence. Hence, the key to developing science, technology, and productive forces lies in education. What is worrisome is that we only have a small sum of money earmarked for education, with the result that nobody wants to enroll in teachers colleges. If no remedial measures are taken the situation will worsen. At present, primary and secondary school teachers are seen peddling tea-pickled eggs and women teachers are working as dancing partners after class. Several persons arrested in Beijing in connection with trafficking in cigarettes were finally identified as postgraduate students.

The modern process of democratization also needs to be based on education. In Xia Yan's view, "With underdeveloped education, democracy will go nowhere. In his theory on civil rights, Sun Yat-sen designated a period of 'political tutelage,' indicating that he had seen the problem that the national quality was too low. Given the circumstances, it did not work to promote democracy entirely spontaneously." To promote democracy with poorly qualified people could only end up, as it did, with "the Cultural Revolution." Xia said earnestly that social turmoil such as that of the "Cultural Revolution" would not get anywhere in Western countries. Personality cult

played an important role in the disturbances involving so many young people yet the key to the question was the lack of legal awareness on the part of the masses who did not know any law.

As our conversation proceeded Xia Yan recalled with a heavy heart an event from over 20 years before: "I was arrested on 4 December that year together with Comrade Peng Zhen. The next morning Peng questioned the Red Guards: 'I say, Comrades, what are you going to do with us?' Hardly had he finished speaking when a blow landed on his face. Did this have anything to do with rule by law?" Xia Yan, an old man who spent 8 years and 7 months in prison during the 10-year catastrophe, warned: "Poor popular cultural quality, a lack of a sense of the law, and a lack of rudimentary consciousness of democracy can lead to anything undesirable but not to economic growth."

Man, the Most Positive Factor in Productive Forces, Is Ignored [subhead]

Just as he did during the years when writing "Indentured Laborer," a Chinese classic work of reportage, Xia Yan has an original view on "man." He criticized the concept that human rights are taboo in socialist countries and everything in connection to "man," such as human rights, humanity, personality, and humanitarianism—for a talk on which Zhou Yang was criticized—are taboo. At present, we dare not even talk about human rights and regard freedom, equality, and universal fraternity as things capitalist, and those who engage in independent literary and artistic creation are subject to criticism. All this constitutes Reagan's challenge to Gorbachev. Is this not worth pondering? We are putting forward the productive forces criterion yet we have ignored the most revolutionary and positive factor, man, for a long time, occasioning a lot of malpractices.

Regarding inflation, Xia Yan paid more attention to the problem of waste caused by bureaucratism. In his view, the masses may curse inflation but they have developed a certain endurance through tempestuous reform during the past 10 years. The inflation problem will finally be solved, but the waste resulting from bureaucracy... While they do not allocate more money for education, they waste millions upon millions every year. He compared the production cost of Japan's enterprises with that of China's counterparts with the prevalent "full load" working method and especially referred to his former line—studios, opera troupes, and newspaper offices. He presently pointed out: "This is not only a problem concerning 'man' but, more importantly, one concerning the system. Things cannot be done without a change in the system." He stressed: "The biggest waste is the waste of human resources. Under our existing system, instead of 'full load' we have more hands than needed. Hence, we cannot succeed in doing anything without a transformation of the system."

Gorbachev's "Glasnost" and Our Transparency [subhead]

History is torturous and inexorable. The practice of "large and all-inclusive economic units" and "small but all-inclusive economic units" which caused widespread troubles in China was copied from the Soviet Union during our First 5-Year Plan. This malpractice, coupled with our "mess together" policy, makes our current reform more difficult. He believed it is very difficult to introduce reform in the Soviet Union, a country which has been under an ossified system for over 70 years. But they are different from us in two aspects: First, their people are generally better qualified than ours, and the rural population only accounts for 30 percent of the entire population, which is much smaller than our 80 percent. Second, they do not have the problem of manual labor and mental labor being in reverse order. Their famous scientists, artists, and movie stars draw high wages and those who have been awarded the Order of Lenin or Order of the Red Flag are entitled to an annual bonus. They introduce clearly defined grades and orders and have suffered far less from egalitarianism than we have.

Meanwhile, he pointed out: "The Soviet Union is speeding ahead faster than we are in ideological reform. Gorbachev's glasnost is much more thoroughgoing than our transparency. They lash out at Stalin, but who in China dares to publicly criticize Mao Zedong? The Communist Party leadership has thoroughly negated the Cultural Revolution in party documents, but when a story about a tragedy caused by the Cultural Revolution was filmed, it still touched off controversy and trouble. They said you went too far, but why is thorough negation of the Cultural Revolution not also regarded as excessive?"

Stressing That Reforms Still Have a Long Way To Go [subhead]

When talking about press reform Xia said: "In the early period of the liberation, Zhou Enlai made mention of newspapers run by the local people, but the result is that there is only one voice across the country and the XINHUA NEWS AGENCY monopolizes the news. Press reform is out of the question if the authorities do not relax their policies. There has been certain changes following the 13th National Congress of the CPC and we read tidbits about the congress in RENMIN RIBAO; however, we are still ill-informed on the whole and there is not enough transparency. The less public access to information, the less faith the masses have in you. How sad it is that we can only learn of our leaders' remarks and statements through monitored foreign press stories."

The following position explained by the veteran reporter drew my attention. A country's "sealed-off state begins with the press. Why does Stalin's formula remain intact in China? The main reason is that our evaluation of Stalin remains at the same level as before. We always

maintain that Stalin is correct on account of inaccessibility. Take Bukharin's case for example, we don't know that it is a glaring unjust verdict until the whole truth has come out."

As a veteran CPC member, Xia further explained, "The ups and downs of the CPC has something to do with the 3d International, while the latter is related to Stalin. Now that our evaluation of Stalin is changing, many issues arise on which we should modify our theoretical interpretation, such as the Chen Duxiu issue, the Li Lisan issue..."

Policies on Reform Must Not Be Repeatedly Changed [subhead]

Commenting on the above change the old man hoped that China's policies on reform will not change too often. "Since the 3d Plenary Session of the 11th CPC Central Committee there have been a number of relapses: Elimination of spiritual pollution, criticism of humanitarianism, the struggle against liberalization... Something is regarded as justifiable one moment and wrong the next, indicating that there is no criterion whatsoever." Under these circumstances, Xia Yan believed, "the intelligentsia is not in stable spirits. It seems the situation will not basically change until some time in the future."

Deng Xiaoping made clear to foreign businessmen: To invest in China will not involve risks. Chinese mean what they say. Xia hoped the remarks will also hold good at home and special attention must be paid to guarding against "unauthorized change at the lower level despite persistence on the part of the central authorities." In his view, there are two problems which are more difficult and more critical than the price reform. These are unhealthy party style and the inadequate system of reform.

The journey of reform we have taken has by no means been smooth, but we have sped along and have made much headway. "The Soviet Union is learning many things from China. For instance, Gorbachev advocated replacing life tenure of office with limited tenure of office, instituting a contracted management responsibility system, and so on. They have greater difficulties than ourselves in that they proceed from top to bottom, while we go the other way round. From the 3d Plenary Session of the 11th CPC Central Committee to the early 1980's, the peasantry benefited most and they have got rich following the introduction of the contracted management responsibility system. They absolutely will not take the road back and that is the most effective guarantee that China's reform will persist.

NPC Standing Committee Member on Price Reform
OW0407033388 Beijing XINHUA Domestic Service
in Chinese 1802 GMT 30 Jun 88

[Text] Beijing, 30 Jun (XINHUA)—Li Yining, a member of the NPC Standing Committee, said at a Standing

Committee meeting today that problems of pricing can be resolved only through deepening the reform of enterprises.

Inflation Has Existed for a Long Time, But Has Become an Open Problem Only in Recent Years (subhead)

Li Yining said: Inflation can be an open or hidden problem. It existed under the old system before the reform in a concealed manner. For example, during certain years before the reform was launched, there was an acute shortage of commodities and people had to stand in long lines for goods they wanted, but the prices always remained unchanged. In this way, inflation was covered and could not be detected by the general public. During the years, China faced the peril of a widening gap with the world's economic and technical standards. However, under closed circumstances, ordinary people were unable to detect the peril. Through the reform in recent years, we have scored remarkable economic achievements and at the same time brought to light the long-standing concealed problem of inflation which has manifested itself in such concrete form as rising prices. Hence, while the reform has narrowed the gap in the economic and technical standards between China and the rest of the world, people have begun to sense the seriousness of open inflation because it can be easily detected now.

It Is Imperative To Carry Out Pricing Reform Because Perpetuation of Irrational Price Parity Will Make It Difficult To Straighten Out Relations Between Various Economic Sectors (subhead)

Li Yining said: It is imperative to reform the pricing system, which the people rather resent. Irrational pricing is not only liable to all sorts of loopholes, causing unfair distribution of income, but is also detrimental to the development of production. Due to the existing irrational price ratios between different commodities, it is impossible to reflect the economic performance of enterprises in the profit or deficit they earn, and for them to go all out to compete against each other. Therefore, it is imperative to carry out pricing reform because price ratios between different commodities cannot remain unchanged along with the expansion of production. Here, we must understand the purpose of pricing reform, that is, to change the commodity pricing system by gradually shifting from the current double-track pricing system to uniform pricing by the market. Price rises are unavoidable in the pricing reform and will be the cost we must pay to win success in our reform.

Simple Retrenchment Cannot Stop Price Hikes But May Just Cause "Stagnant Inflation" (subhead)

Li Yining said: Price hikes certainly merit our attention. However, we should not conclude that they reflect a chaotic economic situation. Otherwise, we will forfeit our confidence, or even make erroneous assessments of

the situation and adopt improper, harmful counter measures. The economy needs to be stabilized. Only when the economy is relatively stable is it possible to maintain a sustained economic growth. This is an obvious truth. The crux of the problem lies in how to stabilize the economy, maintaining economic stability while stimulating economic growth. Any measures to retrench price rises, such as resorting to administrative means to retrench the demand or to impose retrenchment measures over a long period of time, may lead to "stagnant inflation," i.e., the so-called "inflation with low growth rate," or "inflation with zero or minus growth rate." Why would such measures bring about this situation? First, the total demand is closely linked with the total supply. It is impossible to retrench the total demand without affecting the total supply. That is, retrenchment of the total demand may also cause the total supply to drop. Therefore, it is inadvisable to drastically retrench the total demand except in a pressing emergency. It is only advisable to adequately retrench the total demand. The practice of one-sidedly tightening the economy by paying attention to only demand without heeding supply may sharpen the contradiction between the total demand and the total supply for some time to come, and it will be even more difficult to solve such a contradiction. Second, there are administrative reasons for price increases by a large margin. There are also quantitative as well as structural reasons for that. Therefore, simple retrenching of the total demand can only slow price hikes for a time, but it cannot basically stabilize the commodity prices. Moreover, if we analyze the situation over a longer period of time, we can see that the problem of price increases may become even worse and it will be even more difficult to solve such a problem because the simple retrenchment of the total demand hinders the growth of the total supply and hampers the readjustment of the industrial set-ups, the product mix and the regional economic structure.

To Successfully Carry Out Price Reform, It Is Essential To Reform the Structure of Enterprises and Strive To Improve Economic Results (subhead)

Li Yining said: The implementation of the contract system for enterprise management will fill the enterprises with vitality. In the course of doing business, the enterprises will concern themselves with their economic results as well as the rate of growth of their production output and revenues. All this would help expand the supply. We may regard the implementation of the contract system for enterprise management as a lower-level structural reform of the enterprises. By comparison, to clearly define property rights and help enterprises merge or reorganize on this basis is a higher-level structural reform. This reform will facilitate the rational flow and effective integration of all essential factors of production. All this will not only promote the growth of the total supply, but also accelerate the readjustment of the industrial set-ups, the product mix and the regional economic structure. Right now, in order to stabilize our economy, we must deepen the structural reform of the enterprises.

That means, we must popularize the contract system for enterprise management at the lower level, while at a higher level, we must clearly define property rights to help enterprises merge or reorganize themselves. Only by popularizing the contract system for enterprise management, by greatly improving the economic results of the enterprises, by realizing the effective integration of the essential factors of production in the course of helping enterprises merge or reorganize themselves, by increasing the total supply and by improving the economic results, will it be possible for us to successfully carry out price reform.

If the enterprises are not operating efficiently, an open price system would only lead to violent price hikes. The enterprises are unable to absorb the production cost increases by themselves, because they cannot make their own management decisions and take full responsibility for their own profits and losses yet.

To Lessen the Risks in Carrying Out Price Reform, We Must Be Prepared To Implement the Following Three Tasks—Diversify Use of Bank Savings, Link Wages With Economic Results and Promote Fair Competition (subhead)

Li Yining said: To diversify the use of bank savings means to raise funds from various channels in society and change consumption funds into production funds by issuing long-term bonds with low interest and commercializing housing. We may utilize the funds flexibly and on a long-term and regular basis. In addition, we may also sell out some small enterprises. To link wages with economic results means to link commodity prices with wages. Public servants can enjoy subsidies from the state, but should also be given greater opportunities for promotion and salary increases. Legislation for fair competition means to enforce some economic laws and regulations as soon as possible to protect fair competition and consumer interests.

The Proposals of "Price Hikes in One Fell Swoop" and "Immediate All-round Open Price System" Are Harmful (subhead)

Li Yining said: An "all-round open price system" without adequate preparations will only lead to economic chaos. Price reform must be carried out in a step-by-step way. For example, we may relax the control over the price of some farm products, and later we may lift restrictions on industrial raw and other materials. Finally the state still needs to control fees for public utilities for a protracted period, even if an all-round open price system is adopted. The Criterion To Judge Economy Is One's Actual Income Instead of Commodity Price [subhead]

Li Yining said: It is impossible to maintain absolute stability in price. What we can do is to control the price hikes so that people of various sectors in society may endure the strains and to help people increase their

actual income. To achieve this goal, we must, in the last analysis, raise labor productivity. However, we will not be able to fulfill this task, if we do not go all out to carry out enterprise reform. Only by helping enterprises improve their economic results, will it be possible for us to gradually change the the situation of demand exceeding supply, and thus ensure the basic stability of commodity prices.

Director of Taxation Bureau on New Taxes
HK0407074888 Beijing ZHONGGUO XINWEN SHE in Chinese 0803 GMT 2 Jul 88

[Text] Beijing, 2 Jul (ZHONGGUO XINWEN SHE)—At the National Taxation Work Conference held this morning, Jin Xing, director of the State Taxation Bureau, said that the Taxation Bureau is now working out a scheme to introduce a number of new taxes. The bureau has planned to merge the two income taxes involving investment by foreign firms in China and unify the income tax system concerning foreign invested enterprises, in which tax revenue and preferential terms will remain unchanged.

Apart from the introduction of income taxes on private enterprises announced this year, Jin Xing said, a number of taxes including land use tax, stamp duty, and feast tax will be introduced. The introduction of inheritance tax and gift-sending tax is now under discussion. The industrial and commercial consolidated tax implemented in the intermediate links of foreign invested enterprises will be integrated with the unified tax system implemented in domestic enterprises. Meanwhile, urban real estate tax, vehicle and ship use tax, and land use tax implemented in foreign invested enterprises will be unified.

China now has 25 categories of taxes and tax revenue is increasing at an average of over 10 billion yuan a year. In recent years the annual tax revenue collected by the taxation departments totaled 200 billion yuan. Of this sum, industrial and commercial tax totaled over 150 billion yuan. Tax revenue accounts for 90 percent of the financial revenue.

Collection of taxes has been smooth in the first half of this year, Jin Xing disclosed, a total of 63.5 billion yuan of industrial and commercial taxes has been collected from January to May this year, a 14 percent increase compared with the same period last year. To keep this year's financial deficits within 8 billion yuan, Jin pointed out, the State Council has recently demanded that collection of this year's industrial and commercial taxes exceed the original target by 3 billion yuan.

Problems in Tax Collection
OW0307014188 Beijing XINHUA in English 1435 GMT 2 Jul 88

[Text] Beijing, July 2 (XINHUA)—Industrial and commercial tax collections in China amounted to 63.5 billion yuan over the first five months this year, the director of the State Administration of Taxation said today.

Speaking at a national conference on taxation, Jin Xin said the tax revenues were 14.7 percent higher than the same period last year.

Despite the improved performance, there were still problems with the collections, he said, especially with local collectors who decide on their own to offer reductions or waivers to local companies and rural businesses.

This has resulted in great losses to the state, Jin said.

Jin said it was not appropriate to give such favors as an inducement to improve productivity.

"When an enterprise applies for tax reduction and waiver, we should make sure that it makes profit in a limited period of time.

"We should implement a reform in taxation and establish a scientific system in the collection of taxes and improve the work through legal means," he said.

Paper on Need for Price, Wage, Labor Reform
OW0407132288 Beijing XINHUA in English
0725 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Price, wage and labor reforms are "three hard nuts to crack," an editorial in today's "ECONOMIC DAILY" said.

The paper said that the price reform got off to an early start in urban areas but the pace has slowed in the face of complaints of people who find it difficult to adjust psychologically to the changes.

The deepening of rural reform makes it imperative to regulate prices to narrow the absurd gap between agricultural products and industrial commodities, the paper said.

Although the price reform has some negative influence on people's lives, it must be carried out for the good of the nation and prosperity of the people. And the sooner the better.

The price reform will fail unless there is a wage reform, the paper said. That means breaking up the current wage system, which is characterized by everyone receiving the same amount, for one which will stimulate individual working enthusiasm.

A new labor system introduces a thorny problem: Can we recognize and allow unemployment to exist in China?

The paper said people must be prepared for difficulties in the current reform and realize utopian socialism is impractical.

LIAOWANG on Price Rises, Reform

HK0207085088 Beijing LIAOWANG in Chinese No 25, 20 Jun 88 pp 18-20

[Article by He Xiaolin (6320 2556 2651) and Liu Yuanda (0491 6678 6671): "Thoughts Concerning Price Reform" boldface as published]

[Text] A specter is haunting China—the specter of price hikes. People can feel the shrinkage from what they used to get from the marketplace in their shopping bags as well as the specter's role while doing their shopping in stores, and sense its existence from the prices asked by peddlars along the street. The specter accompanies people into the park, and on their journeys, not sparing the children when they enter kindergartens and movie houses...

The State Statistical Bureau's comprehensive statistics concerning 6,000 varieties of commodities show that prices went up by a total of 23.7 percent, with an annual average increase of 7.3 percent, in the 3 consecutive years 1985 to 1987. Of all prices, those of nonstaple food went up by the widest margin, almost doubling during that period. They broke through the 20 percent margin in 1987 alone. Every worker and staff member paid an average 129.2 yuan more because of last year's inflation.

What are the factors that have led to price hikes? Economists believe that the long-term short supply of several categories of commodities has created the effect of synchronous shocks, the impact of which may double in a geometric progression through their steady frequency and intensity.

The period 1986 to 1987 was the one of the best in China with regard to the per capita consumption of grain and meat and in regard to the gross national production. The emergence of abnormal price hikes in a period of abundant materials and equipment precisely explains the impact of such synchronous shocks.

Shocks From the Macroeconomy [subhead]

The First Shock Wave: An Irreducible Capital Construction Scope. In the eyes of an aesthete, architecture is a three-dimensional art. But in the eyes of government officials at various levels, who are working hard to change the backward features of their own native land, indifferent kitchens mean wealth, and broad avenues symbolize their accomplishments in office, while some sumptuous hotels may open the door to foreign ties. Therefore, their passion for starting projects is no less than that of the artist in his creation. To start a project as early as possible, these officials will do anything to "dig up" money resources, not excluding "angling," "diverting" funds, and "doing things in disguise"... with the capital construction scope growing increasingly larger. Between 1983 and 1986, the state's investment in capital construction grew by an annual average of 26.8 percent.

When all these large or small projects are completed, the iron law of "exchange between the two categories," as Marx revealed, will have already converted some 40 percent of the capital construction investments into consumption funds. At the same time, they will have rapidly widened the original breaches in raw fuel resources, energy resources, and circulation funds.

Just as with the law of conservation of energy, these elevated prices will by no means disappear into space, but will eventually fall on the shoulders of the consumers through the mutual pounding in the production and consumption fields. According to relevant departments, the price of at least one variety of commodities is being raised on a daily basis in Hangzhou; while in Wuhan, prices for 4,438 varieties and categories of articles for daily use were officially raised in the first quarter of this year.

The Third Shock Wave: Currency Appreciation Is Not To Be Neglected. Who benefits from price hikes? According to some economists, a considerable portion of some 10 percent of the state's finance has been canceled by mutual price hikes, while a considerable portion has gone into the pockets of circulation managers.

Some comrades of the State Industrial and Commercial Administrative Bureau Market Office told us that when Beijing citizens were buying Chinese cabbage for in the neighborhood of 0.70 yuan per kg, people could get it at half the price in Fengtai, a suburban county located no more than 20 km from Beijing. The price was doubled, with an 80 percent gross profit.

Since the state implemented the dual-track price system, taking advantage of the gap between negotiated prices and listed prices has become a common practice. In Hubei, a truck changed hands eight times before it finally left the warehouse, and its price was by then more than doubled. Service charges of various descriptions were as high as several thousand yuan, which went into the pockets of several people under various pretexts.

Shock From the Consumer Market [subhead]

The First Shock Wave: The Purchasing Power of the "Savings Means Waste" Mentality Group. A report of the State Statistical Bureau reveals that organizational purchasing power in 1987 was 55.3 billion yuan. However, that was only the "tip" of the iceberg. Just how big could the iceberg be? An audit worker said that it would always remain impossible to calculate organizational purchasing power, which is excluded from statistics. It would be really difficult statistical work, because what appears on forms as conference expenditure is actually expenditures on banquets, and when sausages and live fish are distributed, chemical fertilizers will appear instead in accounting items.

Just how great is the volume of expenditure in this category? We asked the comrades of statistics and auditing departments separately when we were in Hubei, Fujian, Zhejiang, and Shandong. They arrived at a rather unanimous view: The sum which cannot be calculated is about the same as that published by the State Statistical Bureau. The actual organizational purchasing power could be well above 100 billion yuan, while the available retailed commodity supply is only some 74 billion yuan. In other words, if organizational purchasing power is somewhat effectively repressed, the market will be greatly relaxed.

The Second Shock Wave: Consumers' Food Demands Exceed Agricultural Capacity. According to Engel's law of economics: As people's incomes increase, the proportion of their expenditure on food will continuously be reduced. Economists' investigations and analyses in more than 100 nations show that this is a universal law, but in analyses of the consumption behavior of Chinese citizens at the present stage, a number of economic theoretical workers of the Academy of Social Sciences of China discovered that Engel's law is ineffective in China. In the last 6 years or so, China's per capita gross national product has risen from \$200 to some \$400, while wages of workers and staff have more than doubled. However, the proportion of expenditure on food has not reduced at all, remaining at 60 percent or so. Not long ago, economic workers composed a list of 12 consumer items for people to put in order of choice. As a result, "diet improvement" was at the top of the list. A Wuhan consumer said: "The state has solved our housing problem, and taken care of medical treatment. Now we own both a color television set and a refrigerator, what should we spend our money on? Of course, improving our diet."

However, it is very difficult for China's agriculture to bear such ever-rising "enthusiasm" in food demands. According to the World Bank, an additional investment of 300 billion yuan will be involved should meat be increased by 10 percent in the diet of the Chinese people. This figure is equal to 150 percent of the state's 1987 financial revenues, and nine times the investment in agricultural capital construction between 1978 and 1985.

The Third Shock Wave: A Growing Craze for Durable Goods. In our national mentality, the possession of some high-quality durable goods is a symbol of wealth and dignity.

Since the practice of selling color television sets on instalment plans began in Chengdu, Sichuan in 1982, it took only 5 or 6 years for the volume of color television sets acquired to break through the ratio of 50 per 100 households in quite a few cities; in addition, a large number of people have failed to purchase color television sets for the time being because of their short supply. Research by statistical workers has shown that the demand for color television sets in 1988 will be 20 million.

A consumption craze that usually takes place in developed countries with a per capita income above \$1,200 has now appeared in China with a per capita national income of only \$400 or so. The pounding at the national economy and the pressure on the market are self-explanatory. The effect on basic industry means an aggravation of the shortage of steel products and energy resources. Moreover, the weak foundation of China's high technology industries has made it impossible for China to produce all the parts involved in producing color television sets. As a result, the more than 100 color television set production lines nationwide will spend between \$500 and \$600 million in hard currencies, which in turn are earned with farm and sideline produce exports, not without incurring deficits.

The Resultant Force of the Shocks [subhead]

The coupling of economic shocks with the consumer market shocks has resulted in a strange development curve in China's market: On the one hand, the expansion of capital construction outside the national plan has swallowed up the circulation funds in society, leading to tight money, with many enterprises being short of circulation funds. On the other hand, it has been "converted" into abundant consumption funds. At the same time, demand for iron and steel and raw fuel materials for energy resources has become greater still because of the expansion in the processing industry, which has eventually led to price hikes in production materials, which has, in turn, resulted in a wide margin of increase in the production costs of consumer goods. In a merry-go-round, such shocks pass from the market to the consumption field, while the pressure of durable goods and nonstaple food on the market stimulates investment in capital construction, thus increasing the pressure on raw fuel materials and agriculture, the two most fragile areas in the national economy.

The malign currency appreciation in the circulation area and the pounding of group purchasing power have worsened this situation.

When these shocks come together in repeated cycles and mutual pounding, a resultant force is created and shakes China's economy. The result of the shocks finds expression in a bank credit crisis: First, the state's financial deficit, with scores of billions of yuan of treasury bonds and monetary securities issued; and second, the increase in money supply. Between 1978 and 1986, the annual average increase in money supply was 18.6 percent in the first 4 years, and 32.2 percent in the latter 3 years. The increase in the latter 3 years was 3.5 times that in the first 4 years.

The increase in money supply also finds expression in wage increases. The volume of wages for workers and staff was 186.6 billion yuan in 1987, up by 98.4 billion from 1978, which was 2.6 times the volume of the wage increases in the 2 decades between 1958 and 1978. Between 1982 and 1987, the per capita average annual

wage increase for workers and staff was 132.8 yuan, excluding income other than wages (such as bonuses and subsidies). However, because of the "time difference" in reform, while we have relaxed "control," we have not untied the bonds of "taking care of everything in welfare" that bind the state's financial resources. The state continues to take care of everything, including housing, medical care, welfare, children's schooling, and employment. At the same time, reform in the management and utilization of public property has only just begun. Therefore, grave one-sidedness has emerged in the spending of consumption funds. Funds that should be rationally distributed in various areas in consumption are now focused on food and durable goods. Thus, price hikes are inevitable, along with intense breaches of supply and demand.

This is also the reason why administrative orders to stop price hikes have become ineffective in recent years.

We should say that current price hikes are a pain accompanying the labor of reform, as well as a continuation of the pounding of the old economic managerial system. The solution can only be further reform, and eliminating the synchrony of the shocks.

Work Together With One Heart, Tide Over the Difficulties With Joint Efforts [subhead]

Economic workers have made many suggestions regarding price reform. For example: Exercise strict control over capital construction plans; control the malign expansion of organizational purchasing power; guide market development, and guide currency appreciation back to a normal ratio through reform; discard the all-encompassing welfare structure, and gradually realize the reform in housing and medical care with compensation; build an investment system, and convert the surplus purchasing power in people's hands into production capital; and so on and so forth. However, what has caught our attention more is another proposal they have also made unanimously: It is necessary to advocate the spirit of overcoming the difficulties with joint efforts among the people. To put it clearly, our reforms have been distorted to various degrees as a consequence of the strong and burdensome tradition of natural economy and the remnants of feudalism. Bonuses are a basic cure for egalitarianism, with the diligent being rewarded and the lazy punished. However, the measure has soon been assimilated by egalitarianism, and has become de facto additional wages. The implementation of the "dual-track price system" was aimed at breaking through the all-too-rigid production materials distribution system. However, it has turned into a "basis" for price rises at every level and for speculation. The relegation of decision-making power to the lower levels was aimed at giving play to the liveliness of localities; however, such power has been abused in going in for nonproduction building in a big way, resulting in the malign development of capital construction outside the national plan. If such conditions should be allowed to continue, our reform

will face the danger of failure. At this particular moment, the spirit of undergoing self-imposed hardships to tide over the difficulties in price reform from top to grass roots nationwide is surely imperative.

Effects of Consumer Spending Discussed
OW0307115588 Beijing XINHUA in English
0555 GMT 3 Jul 88

[Text] Beijing, July 3 (XINHUA)—Wang Jianren withdrew 2,000 yuan from his bank account last week and bought a set of furniture he does not urgently need.

This was the third time the 34-year-old officer of the General Logistic Department of the People's Liberation Army used his bank account to make purchases.

Wang, a typical Chinese who used to save money rather than to spend it, bought a color TV set last year and a refrigerator early this year.

He and his wife now have only 500 yuan left in the bank.

Wang is one of the many Chinese who are making economists and banking officials discuss consumer purchasing and its effects on interest rates, price rises and loans, according to an article in today's "CHINA DAILY."

A recent commentary of the "ECONOMIC DAILY" said raising interest rates for bank deposits and loans is the only way to put an damper on this year's expansion of consumption.

An inflation rate of 12 percent during the first five months this year, which is much higher than the interest rate for the bank savings deposits, is making Chinese reluctant to increase their bank accounts.

Officials disclosed that retail sales in the first quarter jumped 23 percent over the same period last year. They predicted the gap between consumer demand and supply would rise this year to 90 billion yuan from 74.4 billion yuan last year.

The central bank issued an additional 10.7 billion yuan of bank notes in the first five months this year. This was 30 percent more than the same period last year.

Bank loans have been increasing since the beginning of this year. Economists consider this to be "abnormal".

Industrial loans during the first five months were planned at 9.6 billion yuan. The actual figure exceeded the plan by 9.06 billion yuan.

Economists are suggesting the use of interest rates as a leverage to control loans.

But some economists do not agree. They contend that Chinese banks are still not qualified to used the leverage of interest rates because banks are still not free from government intervention.

They add that interest rates are already high enough and raising them could slow down the present high growth rate.

Some economists believe that the 17.5 percent industrial growth rate during the first five months of this year is too high and the ideal rate is 10 percent.

Institutional Buying Causing Inflation
OW0507235488 Beijing XINHUA in English
0734 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—In China, institutional buying of certain goods is subject to the approval of the office for controlling "social group" expenditure, known in China as Kongban, which is found in the Ministry of Finance and at all levels of the Government.

The current 19 kinds of such goods include cars, buses, motorcycles, woollen carpets, air conditioners, electrostatic duplicators, audio and video recorders, cameras, television sets, refrigerators, and washing machines.

Wholesalers and retailers are required by the state not to accept checks or give receipts for goods purchased by organizations without the approval of the Kongban at the corresponding levels, to prevent the purchased goods from being entered in accounts.

However, the effort aimed at limiting the institutional buying often does not seem to work. Such expenditures have been growing at a faster rate than individuals' consumption for nearly 5 years in a row, "CHINA DAILY" said today.

The expenditures by the Government, state-owned and collectively owned organizations totalled 55.3 billion yuan last year, 3 times more than in 1978, according to the State Statistical Bureau.

Because the 19 items are rationed for organizations, more than 90 percent of their expenditures go to food and daily household necessities, many of which have long been in short supply.

In spite of the repeated warnings from the Central Government, expenditures on fancy hotels, office buildings, and sanatoriums have kept rising and government spending on banquets and gifts growing.

The growth of institutional buying is considered one of the causes for the price rises.

Such a huge amount of expenditures has undoubtedly affected the national economic order. Last year, the country had a total supply of retail goods that amounted to 610.1 billion yuan, but the purchasing power for the retail goods was equal to 684.5 billion yuan—a 74.4 billion yuan gap.

The gap would have been only several billion yuan had the institutional buying been controlled within the limit of 40 billion yuan.

Many people, including some party and government leaders, blame the seemingly rampant increase of institutional spending on the bad example set by some officials at party and government departments.

Coastal Development Spurs Other Areas
OW0507165088 Beijing XINHUA in English
0148 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—The implementation of China's economic development strategy for coastal areas has spurred economic growth in the central and western regions of the country.

"The strategy is really an economic plan for the whole country," said Chen Junsheng, secretary general of the State Council, "its implementation will inevitably bring along the economic growth of the central and western regions."

A number of local leaders agree.

He Zhiqiang, governor of Yunnan Province, described coastal provinces in the east as locomotives for modernizing the Chinese economy and his province as one of the carriages in the train.

The coastal development strategy originated to 1979 when China began to set up special economic zones.

Now economic development zones encompass 288 cities and counties in 10 provinces and municipalities—320,000 square kilometers of land and a population of 160 million.

The strategy has enabled these areas to develop at a faster pace than the national average. For instance, the industrial output of Guangdong Province increased by 29 percent last year, tops in the country.

In only a few years, Shenzhen, once a small fishing village in Guangdong next to Hong Kong, has developed into a modern medium-sized city.

According to the State Council, the eastern coastal areas have cooperated in 2,185 major economic and technological projects in central and western regions in the past three years.

Many have involved developing energy and industrial raw material industries.

Huge sums of money have been invested. Shanghai and Tianjin municipalities, together with Jiangsu and Guangdong Provinces, have spent 3.977 Billion yuan in steel, iron, nonferrous metal, coal and natural silk industries in non-coastal areas.

The payoff has been priority in getting supplies of rolled steel and non-ferrous metals.

Some Chinese economists believe the cooperation is mutually beneficial. It helps stabilize raw material bases for coastal industries and helps exploit the rich natural resources in the central and western areas.

The Gansu aluminium factory has received 130 million yuan from 13 enterprises in the coastal Jiangsu, Zhejiang, Fujian, Guangdong and Liaoning Provinces enabling it to raise its annual production capacity from 2,000 tons to 25,000 tons.

Shanghai, China's largest industrial city, is one of 14 port cities that have transferred thousands of technological items to less developed inland regions in the past four years. Much of its transferred technology has been related to light, textile and food processing industries.

Thanks to help by the Shanghai bicycle factory, the Xian bicycle factory is able to produce a superior quality product.

Meanwhile, 800 enterprises and research institutes in central and western areas have set up branches in coastal regions with the aim of improving product quality and becoming better informed of market and technology developments.

"However, it is impossible for China's regional economy to develop in a completely balanced way," said Huang Qifan, director of the Shanghai Economic Information Center.

"The coastal economic strategy may possibly further widen the economic gap between the east and non-coastal areas," he said.

Symposium Held on Restudying Capitalism
HK0207063788 Beijing GUANGMING RIBAO
in Chinese 20 Jun 88, p 3

[Article By Ren Xinwen (0117 2946 2429): "Roundup on Viewpoints Put Forward at Symposium on Restudying Capitalism"]

[Text] Recently, some economic experts and experts and scholars on international questions in Beijing held a symposium on restudying capitalism. Now, I sum up the main views expressed by these experts and scholars at the symposium in the following article.

The Necessity and Urgency of Restudying Capitalism [subhead]

The theory of the primary stage of socialism, which was put forward by the 13th CPC National Congress, is restudying socialism. The theory of primary stage of socialism will inevitably require us to carry out a restudy of capitalism because socialism and capitalism are closely related. Without studying and learning all the positive achievements of capitalism, it would be impossible for us to realize the socialist modernizations in our country.

Associate Professor Wu Ninggen of Beijing University, said at the symposium that a restudying of capitalism is needed for the implementation of the policies of reform and opening up to the outside world. The purpose of carrying out a restudy of capitalism is to restore vigor and vitality to Marxism and acquire a realistic view of the world. Shi Min, research fellow of the China Academy of Social Sciences, said that the purpose of carrying out a restudy of capitalism is to more correctly popularize socialism and more scientifically unify people's understanding. Li Cong, director of the Institute of Western European Studies under the China Academy of Social Sciences, said that to carry out a restudy of capitalism is an urgent task. At present, our ultimate task is to greatly develop our national economy and catch up with the advanced countries in the world. Therefore, we must have a clear idea about these countries. Chen Zhongjing, director of the Institute of Contemporary International Relations, believed that China should absorb all the beneficial experiences and knowledge of the capitalist countries, including advanced science and technologies, management experiences, and all the positive achievements the capitalist countries have made in the realm of super-structure and in the ideological, cultural, and other fields.

The Study on Some Major Questions Concerning Contemporary Capitalism [subhead]

Comrade Chen Zhongjing believed that the study on the development of the contemporary capitalism should mainly be carried out in the following four aspects: first, the state intervention; second, the international relations and coordination; third, the social reformism; and fourth, the development of science and technology.

Professor Fang Sheng of China People's University believed that China should mainly carry out a study on the useful views, models, and policy measures in the capitalist economic theories and learn from the capitalist countries their respect for qualified personnel and their stress on actual economic results. This is because some of these views, models, and policy measures are the common property of mankind and are the experiences gained by the capitalist countries in the long-term development of their commodity economy.

Professor Hong Junyan of Beijing University pointed out that in the course of carrying out a restudy on contemporary capitalism, we are bound to come across some major theoretical questions and even some theoretical questions concerning the basic principles of Marxism and Leninism. Therefore, efforts should be made to study these major theoretical questions one by one. These theoretical questions include: 1. The question of times. What times are we in at present? Are we still in the times characterized by imperialism and proletarian revolution as Lenin once said or are we still in the times characterized by the general political and economic crises of the capitalist countries? Comrade Xiaoping said that we are in the times characterized by peace and development. The question of times is a strategic question facing the international communist movement. 2. The question concerning the definition of imperialism. Lenin said that imperialism is the monopoly capitalism and the parasitic, decadent, and dying capitalism. How should we view monopoly? How should we view the decadent nature and dying nature of capitalism? 3. The question of whether a new world war can be prevented or not. 4. The question of an whether a European Federation can be established or not? Lenin once thought that it was impossible for an European Federation to be established. How should we view this question now? 5. The question of the pauperization of the proletariat. There have been heated arguments on whether the pauperization of proletariat is an absolute pauperization or a relative pauperization. How should we view this question now? 6. The question concerning periodic economic crises. The new situation is that with state intervention and under the international coordination, capitalist production has been expanded in an organized manner. The development of the capitalist production is now, to a large extent, determined by the market situation; with regard to the capitalist economic structure, the service trades now account for 70 percent of the national economy of the capitalist countries while the material productions only account for some 20-30 percent of the national economy of the capitalist countries. This situation has greatly reduced the frequency of economic crises in capitalist countries. In the past, it was believed that the economic crises of the Western countries were beneficial to China. Now, it seems that the economic crises of the Western countries are harmful rather than beneficial to China. 7. The question concerning what road the developing countries should take. At the present stage, will the developing countries become the reserve force of socialism or the reserve force of capitalism in the future?

Capitalism Is Still Full of Vitality [subhead]

At the symposium, all the comrades thought that since great changes have taken place with regard to capitalism in the post-war period, capitalism has now become full of vitality or bounce. Comrade Li Cong said that contemporary capitalism has experienced some periodic changes which are quite different from the periodic change which took place in Lenin's times. The major new periodic changes of capitalism are: 1. The rapid

development of the capitalist productive forces. With regard to the capitalist development over the past 40 years since the end of the Second World War, monopoly has not caused the stagnation of the capitalist production, but has enabled new technologies to enter the market. Capitalism will suffer crises in the future. However, no matter whether capitalism suffers structural crises or periodic crises in the future, the development of capitalist production will only be affected and will not be destroyed. Moreover, the capitalist social productive forces will continue to develop rapidly in the future. 2. The capitalist relations of production can regulate themselves. This means that the capitalist relations of production will be able to develop what is useful or healthy and discard what is not by themselves. Monopoly itself means regulation. The development of the joint stock system is actually the socialization of production and thus should not be regarded as a measure used only by the big share-holders to control the small share-holders. Now, some 20-30 percent of the population in Western Europe are share-holders. Cooperatives have been set up in some 70-80 percent of the West European industrial and agricultural enterprises. The workers in the West European countries have, to a certain extent, participated in the management of their enterprises. In 1985, a losing enterprise on the verge of bankruptcy in Pittsburgh, in the United States, was contracted by its own staff and workers. After being managed by its staff and workers for several years, the enterprise finally yielded good economic results. This is a new trend. What is the nature of such ownership? Is it true that a collective ownership has emerged in capitalism? 3. New changes have taken place in the social relations and class relations in the capitalist society. The middle class has become the pillar of the capitalist society. Some 90 percent of the population of Hawaii are middle-class while only 2 percent are rich and some 8 percent are poor. In the State of Wisconsin, some 95 percent of the population are middle-class people. People's work and life style in the contemporary capitalist society are different than in the Marx' times. The United States is presently making great efforts to eliminate the difference between the urban and rural areas. 4. The new trend in the super-structure. Now, the social reformism is prevailing in Western and Northern Europe. China should not simply regard the reformists as bourgeois agents. China should carefully study the theory of "Neo-Marxism" of the West.

It Is Necessary To Restudy and Reunderstand Marxism and Leninism [subhead]

All the comrades acknowledged that Marx and Lenin once carried out comprehensive analysis of capitalism and scientifically summed up capitalism. Over the past 67 years since the death of Lenin, major changes have taken place in capitalism. These major changes are those which Marx and Lenin failed to discuss and predict in their times. Therefore, we should scientifically and realistically study these major changes of capitalism. The fundamental question is that times have changed. We

should view Marxism and Leninism from a historical point of view. Deification of Marxism itself is not Marxism. At present, we must restudy and reunderstand Marxism, Leninism, and Mao Zedong Thought.

Regarding the question concerning the development period of capitalism, Lenin once believed that imperialism is the highest stage of capitalism and the moribund stage of capitalism. Lenin divided the development of capitalism into two stages: first, free capitalism; second, monopoly capitalism (namely, imperialism). At the symposium, some of the comrades thought that capitalism has entered the third stage of its development, namely, the stage of state monopoly capitalism, which is the mature stage of capitalism. Eduard Burstein, Karl Kautsky, Xi Fa Ting [1585 3127 0080], and some other personages of the Second International once put forward theories, such as the organized capitalism, the super-imperialism, and so on. We should not simply negate or affirm these theories. Some of these theories are just a "distorted reflection" of the present situation.

On the question of the pauperization of the proletariat, Marx once thought that the expansion of the organic composition of capital will inevitably produce a polarization, that is the accumulated wealth and the accumulated poverty. There will be either the absolute pauperization of the proletariat or the relative pauperization of the proletariat. At the symposium, all the comrades agreed that all the contemporary capitalist countries have the problem of poverty, but no pauperization problem. Moreover, the contents of the problem of poverty of the contemporary capitalist countries are quite different from the contents of the problem of poverty of the capitalist countries in the times of Marx and Engels. Therefore, it is incorrect to say that the workers in the capitalist countries are becoming poorer and poorer because such a view does not conform with the law of historical development.

PLA Cadres Transferred to Civilian Jobs

OW0307121588 Beijing XINHUA Domestic Service
in Chinese 0146 GMT 27 Jun 88

[Excerpt] Beijing, 27 Jun (XINHUA)—The work of resettling demobilized military cadres throughout the country for 1988 has been basically completed. Distribution of jobs to more than 70,000 demobilized cadres is being carried out in the various provinces, cities, and autonomous regions.

A responsible person of a department under the State Council told reporters a few days ago that the majority of this year's demobilized military cadres will be transferred to procuratorial and judicial departments and economic supervisory and regulatory departments including industrial, commercial, taxation, auditing departments, banks, and insurance agencies. These cadres will be encouraged to work in enterprises and institutions, and they will not be accepted in principle by party and state organs. The wages of military cadres who

are transferred to enterprises will be adjusted appropriately. They will be assigned to appropriate jobs according to needs and to their duties in the military. Training, which has been the concern of many demobilized military cadres, has been improved, and the time of special training has been lengthened.

According to a source, over 450,000 demobilized military cadres throughout the country were resettled between 1985 and 1987, thus ensuring the completion of the work of restructuring the military setup and reducing the number of soldiers. To coordinate the series of reforms undertaken to improve the military cadre system, various provinces, cities, and autonomous regions, after accomplishing their tasks of resettling demobilized military cadres last year, have taken on the new tasks of resettling more this year. Shandong, Jiangsu, Hebei, Sichuan, Henan, and Liaoning Provinces, which have accepted the largest number of demobilized military cadres, have done a good job in resettling them despite the lack of time and many difficulties. [Passage omitted]

Policies for Demobilized Servicemen Discussed
HK0307092488 Beijing BAN YUE TAN in Chinese
No 11, 10 Jun 88 pp 36-37

["Special Question-and-Answer Column" by BAN YUE TAN Political, Cultural Editorial Office: "Stipulations Concerning Arrangements for Army Personnel Transferred to Civilian Work, Demobilized Soldiers, and Their Family Dependents"]

[Text] Question: What kind of wages should be paid to compulsory servicemen and voluntary soldiers when they are transferred to civilian work?

Answer: In accordance with the stipulations of the State Council Document No 17 issued in 1987, when voluntary soldiers and compulsory servicemen are transferred to civilian work, the wage system of the unit where they are transferred is to apply. When they are assigned to serve as workers, their wages should not be lower than the standard wages (the sum of basic wages and post salaries in state organs and institutions) of the majority of the workers in the same section with the same length of service. This also applies to those assigned to serve as cadres.

Question: What kind of wages should be paid to voluntary soldiers and compulsory servicemen who have won the Merit Citation Class I and II in the Army when they are transferred to civilian work?

Answer: When they are transferred to civilian work, the wages of the voluntary soldiers and compulsory servicemen who have won the Merit Citation Class I and II in the Army or who have been promoted in advance should be one grade higher on the basis of the above-mentioned stipulations.

Question: When voluntary soldiers and compulsory servicemen are transferred to civilian work, do they have to undergo apprenticeship? How should their wages be determined?

Answer: When voluntary soldiers and compulsory servicemen are transferred to civilian work, they do not have to undergo apprenticeship and probation, no matter to which unit they are transferred or what kind of work they are assigned to do. Their wages should be determined in light of the above-mentioned stipulations. If the new job is not related to their work experience in the Army and special training is thus required, the wages during the training period should be paid by the units where they are placed.

Question: To which category of voluntary soldiers and compulsory servicemen transferred to civilian work do these stipulations apply?

Answer: These stipulations apply to voluntary soldiers and compulsory servicemen transferred to civilian work after 1 July 1985 (the wages of those transferred before this period which are lower than the standard mentioned above will not be paid retroactively).

Question: What stipulations does the state have for the family dependents of Army officers transferred to civilian work?

Answer: The State Council and the Central Military Commission have the following stipulations concerning arrangements for family dependents of Army officers transferred to civilian work:

The personnel department and labor department that are responsible for making employment arrangements for cadres and workers, respectively, should ensure that arrangements for Army officers and their dependents are made at the same time.

The dependents should be assigned to units accordingly in light of the ownership of the units (state owned or collectively owned) where they previously worked. If the locality does not have a state unit, those working in a state unit before may be temporarily placed in a collective unit; if the locality does not have a collective unit, those working in a collective unit before may be temporarily placed in a state unit or township enterprise and institution. They may retain their former capacity as either state or collective staff members after the transfer.

Regarding those who worked in collective units at and below county levels, the labor departments at various levels should assign them to suitable units or organize them to take part in various forms of social labor.

Question: How should remuneration of Army officers with administrative posts as well as technical titles be determined after their transfer to civilian work?

Answer: Document No 63 issued in 1986 by the State Council Wage Reform Group, the Ministry of Labor and Personnel, the General Political Department, and the State Council Group To Make Arrangements for Army Officers Transferred to Civilian Work stipulates: Regarding technical cadres who formerly assumed administrative posts in the Army who have been transferred to civilian work since July 1985, their post wages should be related to the wages they received in the Army; that is, they should get administrative post wages or technical grade wages in light of their previous administrative or technical posts in the Army.

Question: How should we look upon the professional and technical titles and posts of Army technical cadres transferred to civilian work?

Answer: 1. Army officers transferred to civilian work who obtained technical titles in the Army according to relevant stipulations of the state should be treated similarly as the civilian personnel in the localities who have obtained technical titles. Regarding those engaged in professional and technical work in the Army who did not obtain technical titles, the local units should take into account their technical experience gained in the Army while inviting (appointing) professional and technical posts.

2. Regarding Army officers transferred to civilian work after the national reform of technical titles, the technical titles assessed and appointed by the Army should be the essential basis for local units to invite (appoint) relevant professional and technical posts. If the Army reform of technical titles is still under way, the information concerning technical assessment should be transferred to local units to serve as reference while they are inviting (appointing) professional and technical posts. If the Army reform of technical titles has not yet started, the local units will be responsible for assessing and inviting (appointing) professional and technical posts. The local units may also request the Army unit to assess the professional and technical qualifications on their behalf after the Army reform of technical titles, which may be drawn as reference by local units to invite (appoint) professional and technical posts.

Question: Following the promulgation of the regulations encouraging Army officers transferred to civilian work to go to remote, border areas, have the policies on transferring Army officers to their ancestral home or the place where they joined the Army changed?

Answer: Document No 98 issued by the State Council and the Central Military Commission in 1986 clearly stipulates that the relevant provinces, autonomous regions, and municipalities shall make employment arrangements for Army officers transferred to civilian work. The promulgation of the regulation encouraging Army officers transferred to civilian work to go to remote, border areas constitutes a further perfection of the policy on Army officers transferred to civilian work.

The transfer of Army officers to remote, border regions should be based on voluntariness. If the ancestral home or place where they joined the Army is not in a remote, border region, so long as they have not voluntarily applied to go there, they may return to their ancestral home or to the province, autonomous region, or municipality where they joined the Army.

Cotton Planting Areas Expanding Annually
HK0507134988 Beijing CEI Database in English
5 Jul 88

[Text] Beijing (CEI)—Cotton planting areas in China this year are estimated to be expanded by about 10 percent after the last year's 12.5 percent increase.

The result was based on a sample survey of on the country's 510 cotton producing counties in 15 provinces and autonomous regions including Hebei, Shanxi, Liaoning, Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Henan, Hubei, Hunan, Sichuan, Shaanxi, and Xinjiang, which produce about 99 percent of the national total cotton output.

The International Cotton Association estimated recently that the world cotton consumption in 1987-1988 will reach 17.9 million tons, surpassing the cotton output. Meanwhile, world cotton stocks will drop to 5.8 million tons.

New Farm Production Method Implemented
OW0307120588 Beijing XINHUA in English
0531 GMT 3 Jul 88

[Text] Beijing, July 3 (XINHUA)—A county northeast of Beijing has attracted nationwide attention with its three-year record of breakthroughs in grain production.

What Sunyi County is doing is "optimum scale farming". Last October Communist Party General Secretary Zhao Ziyang received Zhang Jingduo, party secretary of the county committee, and praised their new farming system.

China's agricultural experts think that this new production method brought about by deepening the reforms in the rural areas betokens new hope for a second surge of China's agriculture after its first breakthrough in 1979 with the implementation of the household-contract responsibility system.

Sunyi County, which has a population of 550,000, has long been known as the "granary of the capital". From 1979 to 1983 its grain production benefited greatly from the household-contract responsibility system with an annual increase of 20 million kg of grain each year.

But in recent years, with the development of township enterprises and a diversified economy, a lot of people have left the farmland for business and industry, resulting in a drop in grain yields. From 1984 to 1986, its grain

production only increased by 10 million kg each year, which, in Party Secretary Zhang Jingduo's words, were acquired at a high cost because the county allocated 30 million yuan in agricultural subsidies.

The official explained: "Because the non-agricultural laborer can make 1,500 yuan a year, while a farmer can only make an annual income of 500 yuan at most, the farmers no longer have the enthusiasm to do farm work."

Du Runsheng, a senior agricultural policy official, said the responsibility system in China's rural areas is still fettered with some problems. "For instance, the production scale is too small, and the ability to deal with natural disasters and market changes is low."

From August 1986, Sunyi County started to practise "optimum scale farming". Party Secretary Zhang Jingduo said, "Since 80 percent of the county's labor force had transferred to nonagricultural production and mechanization of farm work had become the mainstay, the conditions were ripe for the new farming system."

The county took three measures to practise the new system: One was the setting up of collectively-owned farms in those villages which have a relatively developed economy and a specialized division of labor. Contracts are signed between the farms and villages and between the farmers and the farms. The scale of farms is usually about 30 hectares and the farmers generally run 1.3 hectares on a contracted basis.

Another measure was the readjustment of the contracted land according to the labor force in each family, giving more land to those families specializing in farming. This is suitable for those villages where the economy is fairly well developed but the farmers are still dependent on the land. The specialized farming households own what they harvest and the money they get from grain sales belongs to them.

The third measure was almost the same as the old contract system, which allocates land to families according to labor force. This form is suitable for villages which mainly depend on the land.

Statistics show that, apart from 28 poor villages, 94 percent of the villages practise optimum scale farming in Sunyi County, which has altogether 434 villages and 46,000 hectares of grain fields.

The Gao Liying farm has 118 households with 223 farmers working on an area of 200 hectares. Each household has about two hectares. In 1986 the per-hectare yield was 24,000 kg, including wheat and maize, and each family reaped a net income of 6,997 yuan, much higher than that of those families working in industrial enterprises.

Bai Zhao of Wangjiachang Village contracted one hectare for crop growing. Last year his family made a net income of 7,400 yuan. Previously, the 0.3 hectares of land only yielded enough to feed the family, without any surplus. Bai said, "optimum scale farming has made us rich."

According to the agricultural department of the county committee, over 90 percent of the households are willing to give up their land because they don't have time to do farm work while working in factories. There is no unemployment as township enterprises need a large workforce.

Last year the total grain output reached 470 million kg, an increase of 40 million kg over 1986. This year, the output is expected to reach 500 million kg, double the figure for 1978. Now the per capita income of the county has exceeded 1,000 yuan.

Universities Urged To Run Independently
OW0407103688 Beijing XINHUA in English
0048 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Universities should be freed from too much administrative control so they can take the initiative to meet the demands of economic and social development, said Cao Zeyi, president of the Huaxi Medical University in "GUANGMING DAILY".

At present administrative interference from superior authorities still exist and hampers universities' development, and presidents do not have the chance to bring their initiative and creativity into full play, Zhang said.

Universities should be given rights to make decisions independently in the numbers and kinds of students enrolled, curricula, giving degrees, appointing and removing officials under the presidents, employing working personnel and teaching staff, providing treatment and benefits, and establishing relationships with universities of foreign countries and hiring foreign scholars, Zhang said.

Funds should be allocated directly to the universities for their free use and factories run by the universities should be managed by themselves.

Universities which exercise rights independently in the above items should receive supervision from superior authorities. In personnel, finance and foreign affairs, they should strictly obey state law and regulations. But the presidents must be held responsible for any violations, the president added.

Such reform measures can be practised first in a few universities which can be regarded as "special zones", so that policies can be improved gradually, he said.

Expert Urges Developing Civil Aviation
*HK0607040588 Xian Shaanxi Provincial Service
in Mandarin 2330 GMT 5 Jul 88*

[Text] It is fully possible to transform the current transport shortage in China. The method is to follow the path of great communications and make full use of the potentials of the civil aviation industry to develop air transport. This view was put forward by Professor (Ji Yuanmei), honorary president of Northwest Industrial University, a well-known aviation expert, at a recent aviation association meeting.

Professor (Ji Yuanmei) cited a series of figures on China's transport, and went on to stress that in the past 10 years the turnover of passenger and freight traffic on China's railways has respectively stood at about three-fifths and over one-half of total daily transport. This is an extremely irrational transport structure. There are many difficulties in developing waterway, highway, and railroad transport while the prospects for developing air transport are extremely good.

He pointed out that China now has over 200 specialized factories and several hundred thousand people engaged in the aviation industry, including 100,000 scientists and technicians. This industry has already formed considerable strength and is a reliable basis for developing air transport.

As far as costs are concerned, laying 1 km of railroad costs over 5 million yuan, and laying 1,000 km of track requires some 5 billion yuan in investment. However, 400 million yuan investment is sufficient to build a large international airport. In addition, certain new air routes can use existing airports, thus saving a great deal in investment. Compared with air transport, railroads take up more land, take longer to build, run slower, and need a longer time to recover investment. Aviation enjoys overwhelming superiority in these respects.

Professor (Ji Yuanmei) pointed out that vigorously developing China's civil aviation is imperative. This can not only readjust the current irrational transport structure and greatly ease the current transport shortage, but will also help to strengthen the country's national defense setup.

Senior Officer Discusses New Military Rank System
*OW0607140488 Beijing XINHUA in English
1213 GMT 6 Jul 88*

[Text] Beijing, July 6 (XINHUA)—A senior officer in charge of the new military ranking system policy said here today that the system is based on consideration of the peacetime situation the Chinese Army now faces.

In an interview with XINHUA, the officer explained why China has decided not to reintroduce the ranks of marshal and senior general.

In peacetime, he said, the Army shoulders different tasks from those in wartime, and the vast majority of officers have no battle experience.

"Therefore, it is inappropriate to offer such high ranks."

He quoted a leading member of the Central Military Commission as saying, "In the time of peace, military ranks should be simplified."

As a matter of fact, he said, this has become an international trend.

In the Soviet Union, the rank of marshal has not been conferred since the Second World War. And in the United States, the title of five-star general is only conferred in war time.

According to the new regulations on Chinese military ranks, there will be 11 ranks—first-grade general, general, lieutenant-general, major-general, senior colonel, colonel, lieutenant-colonel, major, captain, lieutenant and second lieutenant.

East Region

Anhui Province Combats Unofficial Marriages

OW0607041688 Beijing XINHUA in English
0750 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—Southeast China's Anhui Province is trying to stop many forms of marriage which are not acceptable under Chinese law.

Today's "PEOPLE'S DAILY" has called on the country's civil affairs and judiciary departments and local women's federations to work together in halting this trend.

A recent survey of Anhui's rural areas revealed more than 80 percent of the marriages in some areas involve the exchange of sons and daughters for husbands and wives, the buying of wives, arranged marriages, kidnapping, elopement, and unregistered marriages.

Between 1983 and May 1986, Anhui's Luoji Township discovered 17 couples who had been married after parents had exchanged sons and daughters for husbands and wives, and in Luji Township, 16 girls were reported to have been married off when they were still children.

According to an official from the Feidong County Women's Federation, 70 percent of the marriages cases the federation handles involve couples eloping.

A survey of 3 townships and 1 village showed 81.2 percent of the 470 couples married between 1986 and November of last year did not register as required by law.

Fujian Congress Standing Committee Meets

OW0307114788 Fuzhou Fujian Provincial Service
in Mandarin 1000 GMT 22 Jun 88

[Text] The Third Session of the Standing Committee of the Seventh Fujian Provincial People's Congress opened in Fuzhou on 22 June. The session's agenda included: examining Fujian Province's draft regulations on enforcing the PRC Law on Compulsory Education; examining the draft provisional regulations of the Standing Committee of the Fujian Provincial People's Congress on the work of the presidiums of the people's congresses of townships and towns; examining Fujian Province's draft regulations on enforcing the tentative PRC Law on the Organization of Villagers Committee; hearing a report by the Fujian Provincial branch of the People's Bank of China on progress in reforming financial system; hearing a report by the Fujian Provincial Forestry Department on enforcing the forestry law, detailed regulations on the enforcement, and problems encountered in enforcing the law; hearing a report by the provincial Economic Commission on current industrial production situation in Fujian; examining a draft decision on setting up a regional work committee of the Standing Committee of

the Provincial People's Congress; and examining a proposal on designating the Double Ninth Day [the 9th day of the 9th lunar month] a day to respect the elderly people, and adopting related resolutions.

This morning's meeting was presided over by Cheng Xu, chairman of the Standing Committee of the Fujian Provincial People's Congress. (Chen Bendi), vice chairman of the Committee of Science, Education, Culture, and Public Health of the provincial People's Congress Standing Committee, gave an explanation on revising the draft regulations on enforcing the PRC Law on Compulsory Education. The draft regulations were submitted last April for examination by the second session of the Standing Committee of the provincial People's Congress, and committee members put forward some opinions and suggestions on revising the 21 articles of the regulations.

On the afternoon of the same day, committee members began to seriously examine the draft regulations on enforcing the PRC Law on Compulsory Education.

Fujian To Invest in Upgrading Technology

HK0407133188 Beijing CEI Database in English
4 Jul 88

[Text] Fuzhou (CEI)—The provincial government of Fujian will invest 5 billion yuan in technological upgrading of 889 enterprises within three years, of which 441 will involve foreign funds.

Fujian has made public the renovating projects of 100 state-owned enterprises for selection by foreign business people.

Fujian Province will announce again its foreign investment projects in July and September in Hong Kong and Xiamen respectively.

Besides, the province will transfer or auction the ownership of medium-sized and small enterprises for investment from home and overseas.

Shandong Provincial KMT Committee Congress Ends

SK0607061588 Jinan Shandong Provincial Service
in Mandarin 2200 GMT 1 Jul 88

[Text] The 5-day Seventh Congress of the Shandong Provincial Committee of the Kuomintang (KMT) successfully ended at Nanjiao Guesthouse in Jinan on the morning of 1 July after satisfactorily fulfilling all scheduled tasks.

This congress conscientiously implemented the guidelines of the 13th party congress, heard and discussed the work report of the Sixth Shandong Provincial KMT Revolutionary Committee, elected the Seventh Provincial KMT Revolutionary Committee, and elected delegates to the Seventh National Congress of the KMT

Revolutionary Committee, adopted the congress resolutions and letters of salutation to veteran comrades who retreated from the leading organs of the Shandong Provincial KMT Revolutionary Committee.

The congress elected Zhang Xitian honorary chairman of the Shandong Provincial KMT Revolutionary Committee, and (Lin Rutan) and Tan Shufen honorary vice chairmen.

The Seventh Shandong Provincial KMT Revolutionary Committee held its first plenary meeting and elected Wang Shiyong as chairman of the provincial KMT Revolutionary Committee; (Wang Guihun), Hu Lixiu, Liu Ying, Zhang Jiazhen, (Zeng Tianmin), and (Wu Kaizhen) vice chairmen; and Liu Ying as secretary general.

Chairman Wang Shiyong gave a closing speech. He said: We must emancipate our minds, open our eyes to the whole world, face the future, fully display the KMT Revolutionary Committee's role and its own superiority to better serve the implementation of the "one country two systems," the realization of the peaceful reunification of the motherland, reform, opening up, and building of the two civilizations, and further create a new situation in the work of the committee.

Zhou Zhenxing, director of the United Front Work Department of the provincial party committee, and vice chairman of the provincial CPPCC Committee, attended the closing ceremony and gave a speech on current United Front work.

Shandong Party Units Improve Party Building
SK0507090388 Jinan Shandong Provincial Service
in Mandarin 2200 GMT 30 Jun 88

[Text] Party organizations at all levels in the province have positively explored new ways to build the party in the course of carrying out reform and have improved and strengthened party leadership. In most places of our province, the party committees and party organizations of enterprises and institutions have positively explored separating the party from government. The provincial party committee has taken the lead in defining 10 functions and duties and studied relevant regulations for its daily affairs. Party committees of some cities, prefectures, and counties have also formulated specific regulations for changing their functions and have readjusted and abolished some organs which overlapped with government organs. As a result, party committees and governments both have given full play to their functions.

Party organizations at all levels have positively and steadily experimented with putting enterprise and institution party organizations under the leadership of local authorities. Enterprise party organizations have also changed their functions from exercising centralized leadership over enterprises to exploiting and ensuring the

supervisory role. In combination with the end-of-term election, all localities have strengthened and readjusted leading bodies of county-level and above party and government organizations.

Last year more than 1,000 leading cadres at or above the county level attended in-service training classes. Since 1984, more than 5,000 young and middle-aged comrades have been promoted to leading posts at or above the county and section levels. By the end of 1987, more than 153,000 veteran cadres retired from their posts, thus enabling the province to begin to embark on a normal orbit of replacing old cadres of leading bodies with new ones.

Provincial-, prefectural-, and county-level organs have all begun to reform the cadre management system and delegated powers to lower levels, thus expanding the autonomy of various organs in employing personnel. At the same time, the competition mechanism has been introduced to the field of cadre and personnel management; and the practice of inviting enterprise managers through open bidding has been gradually popularized at many places in the province.

Shandong Party Committee Commends Branches
SK0507082688 Jinan Shandong Provincial Service
in Mandarin 2200 GMT 29 Jun 88

[Excerpts] The Shandong Provincial CPC Committee held a press conference in Jinan on the morning of 29 June to name and commend advanced party branches and outstanding Communist Party members throughout the province.

Attending the conference were leading comrades of the provincial party committee, and provincial Advisory and Discipline Inspection Commissions, including Liang Buting, Gao Changli, Miao Fenglin, Wang Jinshan, and Li Farong; responsible comrades of the provincial departments concerned and organization departments of various city and prefectural party committees; representatives of some advanced party branches and outstanding Communist Party members; and reporters of various central press units stationed in our province and some provincial press units.

The 53 advanced party branches and 144 outstanding Communist Party members named and commended by the provincial party committee are outstanding representatives of the province's broad masses of grass-roots party organizations and Communist Party members.

The provincial party committee has decided to circulate a notice to the whole province to commend these advanced party branches and outstanding party members and to call on party organizations at all levels throughout the province and the broad masses of Communist Party members to learn from them.

Miao Fenglin, member of the Standing Committee of the provincial party committee and director of the Propaganda Department, attended and addressed the conference. He noted: Since the 3d Plenary Session of the 11th CPC Central Committee, our province's political and economic situation has improved every day. This is the result of the correct leadership of the party Central Committee and the hard struggle of the grass-roots party organizations on all fronts and the broad masses of Communist Party members throughout the province.

Facts show that most of our province's grass-roots party organizations and Communist Party members are good and that they can stand the test of history. Today, we must fully display the role of the broad masses of grass-roots party organizations and party members if we want to advance continuously, overcome difficulties, and establish a new century of the socialist commodity economy. [passage omitted]

Comrade Miao Fenglin said at the end of this speech: Our province will hold the fifth party congress in the third quarter of this year. The provincial party committee hopes that party organizations at all levels throughout the province and the broad masses of Communist Party members will greet the fifth Shandong provincial party congress with concrete deeds.

Shandong Forum on Education Serving Economy Ends
SK0507080588 Jinan DAZHONG RIBAO
in Chinese 10 Jun 88 p 1

[Text] The provincial conference on the work of making higher education serve economic construction concluded in Jinan on 9 June after a 4-day session. The conference summed up and exchanged experiences and studied the issue of how to make higher education better serve economic construction. The conference said that party and government leaders at various levels and institutions of higher learning should fully understand education's key role in conducting modernization, make efforts to bring into full play the advantages of schools of higher education, positively enter the major battlefield of economic construction, and make new contributions to serving economic construction and "relying on science and education to rejuvenate Shandong."

Attending the conference were responsible comrades of the provincial party committee, Advisory Commission, Discipline Inspection Commission, People's Congress Standing Committee, government, and CPPCC Committee, including Lu Maozeng, Jiang Chunyun, Miao Fenglin, Cui Weilin, Wang Jinshan, Li Farong, Li Zhen, Lin Ping, Xu Sen, Yan Qingqing, Zhao Zhihao, and Ding Fangming.

Vice Governor Zhao Zhihao presided over the conference held on the afternoon of 9 June. Jiang Chunyun, deputy secretary of the provincial party committee and governor, made a speech at the conference. His speech

included three parts: 1) We should upgrade our ideological understanding and enhance the sense of responsibility and urgency for making higher education serve economic construction. 2) Schools of higher education should bring their advantages into full play and positively and actively serve economic construction. 3) We should realistically strengthen leadership and promote higher education in order to embark on the path of serving economic construction as soon as possible.

Jiang Chunyun said: Making higher education serve economic construction is an urgent requirement for developing productive forces and realizing the province's economic development strategy. Comrades at all schools of higher education should have a full understanding and a strong sense of mission, urgency, and responsibility; be determined to work hard; bravely do pioneering work; and try every possible means to cultivate even more skilled persons for, provide increasingly more technologies and better service for, and make greater contributions to economic construction. We will accomplish nothing if we remain indifferent to the situation or walk slowly according to the old routine. We should make great efforts to achieve "more, faster, and better" results.

Jiang Chunyun stressed: With regard to the issue of making higher education serve economic construction, we should pay attention to both economic results and social benefit and should take into consideration the urgent demands of the economic construction as well as the prevention of unhealthy activities. We must correctly handle the relationship between teaching, scientific research, and service and between short-, middle-, and long-term development.

Jiang Chunyun said: In the course of serving economic construction, we should bring into full play the enthusiasm and creativity of scientific researchers for serving economic construction. Governments at various levels and relevant departments should create fine social environments for letting schools of higher education enter the major battlefield of economic construction.

Regarding the issues concerning arousing the enthusiasm of teachers and having young and middle-aged outstanding talents show themselves, Jiang Chunyun said that the province made a decision recently: Outstanding teachers aged 40 or below can be promoted to associate professor, and outstanding teachers aged 45 or below can be promoted to professor. The quotas are not limited. Teachers qualified to hold the posts of senior or middle-grade specialized and technical teacher, who have not yet been appointed to undertake appropriate specialized and technical posts due to limited teaching quotas can be transferred to other schools or be appointed to undertake appropriate specialized and technical posts according to the quotas especially assigned by the province.

Regarding the issue of educational expenses, Jiang Chunyun said: The provincial government decided to appropriately increase the investment in capital construction which will principally be used to expand existing university and college campuses. Meanwhile, the provincial government defined an allocation of 10 million yuan from the governor's foundation for schools of higher education working funds to cultivate talents for society and develop paid services of scientific and technological items. He hoped that schools of higher education would use the funds flexibly and ensure the use of the capital and the value and profit increases.

Yellow River Delta Development Meeting Ends

SK0507123588 Jinan Shandong Provincial Service
in Mandarin 2200 GMT 4 Jul 88

[Text] The symposium on the strategy for the economic, technological, and social development of the Huang He Delta concluded in Dongying City on 4 July. The Symposium, which enjoyed the great support of the Central Committee of the China Democratic League, was a success from beginning to end. During the symposium, the participants conducted on-the-spot investigations on the Huang He Delta.

Fei Xiaotong, vice chairman of the NPC Standing Committee, chairman of the Central Committee of the China Democratic League, and noted sociologist; Qian Weichang, vice chairman of the National CPPCC Committee, vice chairman of the Central Committee of the China Democratic League, and noted scientist; and Feng Zhijun, vice chairman of the Central Committee of the China Democratic League, gave reports on the development of the Huang He Delta. Yu Guangyuan, member of the Central Advisory Commission and noted economist, gave a written report. In group discussions, the participating experts and scholars held earnest discussions on five special topics: land planning, agriculture, industry, transportation, and harnessing of the river mouth. They also offered many valuable opinions and suggestions.

The symposium noted: The Huang He Delta is the only treasureland of considerable size in our country's coastal areas which has yet to be developed comprehensively. It has tremendous potential for turning itself into an oil and green land by developing both the oil and petrochemical industries and agriculture, animal husbandry, and fisheries. Therefore, it is necessary to seize the favorable opportunity to apply effective and scientific development to this area.

The symposium pointed out: The course of the Huang He is a key issue concerning the lasting order and stability and the construction arrangements of the Huang He Delta.

The experts held that in line with the current situation of Huang He, and current scientific and technological conditions, it is possible to stabilize for 30 years the course of the Huang He, which empties into the sea along the

Qingshui channel. With regard to developing the petrochemical industrial base, the experts held: Shengli oil-field has very good prospects for development and has provided a reliable foundation for the development of the petrochemical industry. While continuing to accelerate oil prospecting and development, it should, on the one hand, develop the oil processing and petrochemical industries and, on the other hand, make the best use of its abundant underground brine resources to actively develop the salt and salt chemical industries. It should also exert great efforts to develop the processing of farm and sideline products and the machinery industry, light and textile industries, chemical industry, and foodstuff industry.

The symposium also held extensive discussions on agricultural development. It held: All the land of the Huang He Delta is basically saline-alkali land. Great efforts should be made to improve the land and develop ecological agriculture, water-saving agriculture, and large-scale modern agriculture. It is imperative that artificial grassland be built in order to emphatically develop animal husbandry. It is imperative that beach resources be used to develop agriculture, build well the coastal, farmland, and grassland shelterbelts and develop grain and cotton growing bases.

The symposium also mapped out arrangements for implementing and developing the achievements of the symposium.

Provincial Vice Governor Ma Zhongchen spoke at the closing ceremony.

Shandong City Starts Labor Contract Management

OW0507152488 Beijing XINHUA in English
0051 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—Some enterprises in the city of Qingdao have raised productivity by introducing the labor contract management system, which takes away from all employees the privilege of a guaranteed job for life according to a report in the recent issue of "ECONOMIC INFORMATION".

These enterprises have broken free from the rigid "iron rice bowl" mentality and solved problems of overstaffing and lack of discipline by reorganizing their workforces according to their production demands.

Some enterprises have invited public bidding to elect their managers, who are given the right to reorganize their workforces.

So far, 76 Qingdao enterprises have reorganized their combined labor force of 57,000.

Through competition, each worker has been given the job he or she wants and 142 workers have lost their jobs.

These enterprises have resolutely withdrawn surplus workers from their posts both in administration and production departments, so that the enterprises can conduct production with fewer burdens.

Most of the 142 surplus workers have been given replacement jobs in the service trades within the enterprises, while others have resigned or asked for long-term leave to seek jobs elsewhere.

To avoid having to provide employees with life-long employment, the enterprises have signed contracts with the workers, and now conduct a system of full-scale labor contract management.

These contracts clearly stipulate the rights and responsibilities of both sides and it also provides for the termination of employment by either side, added the report.

Central-South Region

Guangdong Gets \$80 Million Swedish Loan
HK0507131788 Beijing CEI Database in English
5 Jul 88

[Text] Guangzhou (CEI)—South China's Guangdong Province is making use of a mixed loan of 80 million U.S. dollars given by the Swedish Government.

The loan will be used in two stages, the first covered 15 contracts already signed for a total of 33.42 million U.S. dollars.

The loan is to help the cities of Guangzhou, Zhanjiang, Zhaoqing and Huizhou to import a program-controlled switchboard system with 131,000 local lines and 3,600 long-distance lines from Sweden.

Management Training Helps Guangdong Factory
OW0307055288 Beijing XINHUA in English
0012 GMT 3 Jul 88

[Text] Guangzhou, July 3 (XINHUA)—Chen Fujian claims to have proved that an ordinary Chinese is able to master advanced international enterprise management methods.

Chen, previously employed as an educationist, is now the director of the ETF Interplus Garment Factory—a Sino-Federal German compensation trade enterprise in Dongguan City, Guangdong Province. He learned the Rafa management method at a training class and decided to put it into use in his factory.

Formed by a group of German engineers in 1924, Rafa studies and promotes a management system aimed at improving efficiency, reducing the waste of materials, and mobilizing employees' initiative.

At the beginning his workers refused to accept it considering it a method used by capitalists to exploit workers.

Chen straightened them out by demonstrating the method himself. And the Federal German side supported him by sending an expert to help him.

Trial practice has proved successful, with daily productivity raised by 20 percent.

There are now thousands of joint-venture enterprises in Guangdong Province, and most of their senior staff have undergone management training. "If Chen's method continues to prove effective, these enterprises will follow suit," said a provincial official.

New Guangdong Nuclear Power Plant Design Favored
OW0207123688 Beijing XINHUA in English
1558 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—A new design of the harbor and intake and drainage works for the Daya Bay Nuclear Power Plant in Guangdong Province has been completed and the construction is expected to save millions of yuan, a plant official said.

In the original design the harbour and intake and drainage works were to be set in a deep-water section to the east of the plant with two moles to protect them.

But a plan put forward by Hehai University in Nanjing put the works in a shallow-water section to the south of the plant and with only one dyke for protection.

The work won't take as long, will be higher quality, and will enable savings of 200 million yuan (54.5 million U.S. dollars), the official said.

The official also said an ecological study of the bay has been completed.

The study covered geology, hydrology, meteorology, marine life, and design parameters for a cooling water system.

New Guangzhou Mayor Seeks To Instill Honesty
OW0207082988 Beijing XINHUA in English
0029 GMT 2 Jul 88

[Text] Guangzhou, July 2 (XINHUA)—Newly-elected Guangzhou Mayor Yang Ziyuan is seeking to instill in his new government honesty, pragmatism, democracy and efficiency.

In a speech at the close of the Ninth Guangzhou People's Congress, Yang said the new government will strive to promote productivity and bring more benefits to local residents.

First off, however, will be reforms to price and wage systems, which have an important bearing on every household, Yang said.

The city will keep a careful watch over prices and the market. Those who raise market prices for profiteering will be punished, he said.

Guangxi Bids for Interprovincial Cooperation
OW0607000388 Beijing XINHUA in English
0813 GMT 5 Jul 88

[Text] Beijing, July 5 (XINHUA)—In a bid to boost the local economy, the Guangxi Zhuang Autonomous Region is now involved in more cooperation with other provinces and municipalities, today's "PEOPLE'S DAILY" reported.

Rich in natural resources, this south China region has seen slower economic development than some of the country's other provinces and municipalities because for a long time, it was closed to the rest of the world and also operating under a highly-centralized economy.

In the wake of China's on-going national reform and open policy, the region has been reaping the benefits of more regional cooperation.

According to the paper, Guangxi just signed an agreement and letter of intent to build two hydroelectric power stations on the upper reaches of the Hongshui River with Guangdong and Guizhou Provinces, the Ministry of Energy Resources and the National Energy Resources Investment Corporation.

Under the agreement, construction of Tianshengqiao, 1 of the 2 stations, which boasts a generating capacity of 1.64 million kilowatts will start late this year, and when completed the station will put out 7.57 billion kilowatt hours a year.

Energy shortages in Guangxi and the two cooperating provinces are expected to be alleviated when the projects start operation, the paper said.

Because the region is one of China's top sugar producers, east China's Jiangsu Province and Beijing have decided to help the region boost sugar output by investing in compensation trade agreements and joint ventures.

Neighboring Guangdong Province is also helping the region, and a delegation headed by Lin Ruo, secretary of the Guangdong provincial party committee, visited Guangxi last month to plan overall economic cooperation strategies.

Guangxi Consumer Associations Handle Complaints
OW0307021988 Beijing XINHUA in English
1405 GMT 2 Jul 88

[Text] Nanning, July 2 (XINHUA)—Consumers associations in Guangxi Zhuang Autonomous Region have handled 5,000 complaints involving losses worth three million yuan in the past two years.

Typical was that of a Taiwan compatriot, Zhang Jinghong, who bought a green jade necklace in Guilin only to discover later that it was a sham.

The association conducted an investigation and wound up refunding Zhang her money of 3,200 yuan.

Guangxi Invests Heavily in Tourist Facilities
OW0307053288 Beijing XINHUA in English
2358 GMT 2 Jul 88

[Text] Nanning, July 3 (XINHUA)—Scenic Guilin, one of China's most popular tourist destinations, has spent 144 million yuan in the past three years building hotels, roads and bridges.

Zeng Guanglu, director of the city's Urban Construction Bureau, said the city used to have only one north-south thoroughfare and now has two circling the city.

It used to have only one bridge across the Lijiang River and now has three.

The city received 450,000 overseas tourists last year.

English-Speaking Guangxi Farmers Improve Business
OW0207050588 Beijing XINHUA in English
1337 GMT 1 Jul 88

[Text] Nanning, July 1 (XINHUA)—A group of foreign tourists visiting Guilin's scenic Moon Hill were surprised when a middle-aged Chinese woman greeted them and gave them a brief history of the area—all in English.

She introduced herself as Liang Nianxiu, a local farmer and the mother of two children. She has taught herself English for 2 years.

Liang sells beverage and tourist souvenirs by the roadside adjacent to Moon Hill. To meet foreign customers she started picking up English 2 years ago, and grasped every opportunity to learn from foreign tourists.

These tourists were so enthusiastic to help, they gave her English dictionaries, books, etc., and were always ready to answer her questions.

Liang's is not an isolated case in Guilin, a tourist city in south China. As tourism develops more and more farmers doing business which caters to foreign tourists are studying English.

In Yangshuo County alone, there are 4,000 farmers who can speak simple English, and English training classes are welcomed by the local people.

"Once I was able to introduce my handicrafts using English I have seen my monthly income double," said Yang Xiaochu, a young woman from the nearby village of Xiaza.

Southwest Region

Guizhou Phosphorus Reserves Rank First

HK0507134188 Beijing CEI Database in English
5 Jul 88

[Text] Guizhou (CEI)—Proven phosphorus reserves in Guizhou Province reaches 2.61 billion tons, ranking first in whole China.

Up to now, 33 phosphorus deposits have been found in the province, with an average grade of 18 percent to 36 percent.

After extensive exploration in Fuquan of Wengan County, the proven reserve is 800 million tons of phosphorus deposit, in which the phosphorus reserve in Gaoping, Fuquan County, is verified at 300 tons. The rock bed is largest in size, best in quality, highest in the opencut mining rate with an average layer thickness of 14 meters and a grade of 25 percent.

At present, the mine is jointly exploited by China and the United States with an estimated investment of 600 million yuan (RMB) [renminbi] and a designed production capacity in future of 7.5 million tons a year. The initial annual production of the mine is 2.5 million tons. Overall construction has been started this year and the output value is expected to reach 150 million yuan a year.

Sichuan Elects New KMT Committee Chairman

HK0607101588 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1152 GMT 30 Jun 88

[Report: "Liu Yuanxuan Elected Chairman of the Sichuan Provincial Revolutionary Committee of the Chinese Kuomintang"]

[Text] Hong Kong, 30 Jun (ZHONGGUO TONGXUN SHE)—News from Chengdu: Liu Yuanxuan, former lieutenant general acting commander of the 24th Army of the KMT [Kuomintang], was elected chairman of the Sixth Sichuan Provincial KMT Revolutionary Committee at the committee's first session on 28 June.

Liu Yuanxuan, aged 76, is the nephew of Liu Wenhui, former general of the KMT Army in Sichuan. He previously assumed the posts of member of the Central Committee of the KMT Revolutionary Committee and vice chairman of the Sichuan Provincial KMT Revolutionary Committee.

Pei Changhui, aged 91, former chairman of the Sichuan Provincial KMT Revolutionary Committee and vice chairman of the Central Committee of the KMT Revolutionary Committee, was recommended as honorary chairman of the provincial KMT Revolutionary Committee.

Sichuan Trade Union Congress Opens 5 July

HK0607021588 Chengdu Sichuan Provincial Service
in Mandarin 2200 GMT 5 Jul 88

[Excerpts] The eighth Sichuan provincial trade union congress solemnly opened in Chengdu on 5 July. [passage omitted] Thanks to the hard work of the workforce, Sichuan's industrial output value has risen at an annual average rate of 14.8 percent over the past 5 years, while financial revenue has risen at an annual average of 16.2 percent. In 1986 and 1987 alone, staff and workers created or economized some 1.13 billion yuan in value through putting forward suggestions for rationalization. [passage omitted]

Wang Zhenjiang, chairman of the provincial Federation of Trade Unions, delivered a work report entitled "Unite and Strive To Clear the Way To Forge Ahead and Make Contributions Toward Building an Affluent, Democratic, and Civilized Sichuan." Over 900 delegates were present at the congress opening. Zhang Haoruo, Gu Jinchi, Feng Yuanwei, and other provincial leaders were invited to attend. [passage omitted]

In a speech of greetings to the congress, Gu Jinchi, deputy secretary of the provincial party committee, said: China's reforms have now entered a crucial stage. A number of very difficult problems that cannot be side-stepped, such as price and wage reforms, confront us. The reforms will involve risk, but if we fail to advance we will retreat, and there is no way out in retreat. We must grasp the current favorable conditions, further implement the principle advanced by the 13th National Party Congress on speeding up and deepening the reforms, and advance into the wind and waves.

He pointed out: The success or failure of the reforms has a direct bearing on the vital interests of the masses of the working class. The trade unions must work together with the departments concerned to actively publicize the reforms and do a good job in ideological and political work for the staff and worker masses, so as to get through the difficult pass of reform and gradually establish a new order of socialist commodity economy.

Tibet Passenger Transport Network Takes Shape

HK0507133488 Lhasa Tibet Regional Service
in Mandarin 1330 GMT 4 Jul 88

[Text] A passenger transport network has basically taken shape in our region, with the volume of passenger transport increasing year after year. The volume of passenger transport this year is 8 times higher than in 1985.

With the rapid expansion of the region's foreign trade and the tourism boom over the past few years, since the end of 1985, the regional passenger transport company resolutely got rid of the practice of everybody eating from the same big pot, straightened things out in its

work, drew up a number of rules and regulations, improved the management system step by step, and introduced the management contract responsibility system.

From the end of last year to the beginning of this year, four units affiliated with the company all established diversified forms of the managerial responsibility systems with the company. At the same time, they also bought ten new large passenger cars and two medium-sized ones. The volume of passenger transport in the first half of this year exceeded 73,000 people and the company brought a handsome profit to 40,000 yuan. At present long-distance buses can connect Lhasa with all other cities and prefectures of the region. With a new passenger transport company established by Xigaze and Shannan Prefectures, a passenger transport network has basically taken shape in our region. The number of runs of passenger transport cars has increased from 8 to 45-50 everyday and the volume of passenger transport is 8 times higher than before.

Tibetan Peasants Build Own Homes

OW0407143888 Beijing XINHUA in English
1204 GMT 4 Jul 88

[Text] Lhasa, July 4 (XINHUA)—Tibetan farmers in ever growing numbers are building houses with their own funds along with the improvement of living standards, officials here said today.

In Doilungdeqen County, approximately 90 percent of the local rural residents have now moved into new buildings, all constructed at their own expense.

Qunpei, a 51-year-old farmer in the county, and his family of six are living in a new building with five apartments.

In the days of serfdom before the peaceful liberation of Tibet in 1950, the family had to huddle in a dark shack together with the cattle, added the farmer.

Farmers in Gyangze County are even dissatisfied with one-story buildings now, said a local government official. They pull down their old abodes to set up new two-story houses, he said.

Tibetan Culture Draws Worldwide Interest

OW0407133888 Beijing XINHUA in English
1049 GMT 4 Jul 88

[Text] Lhasa, July 4 (XINHUA)—The centuries-old Tibetan culture is arousing world interest, and officials and experts in the region are working out ways to make it more accessible.

Studying this phenomenon is the Tibetan Academy of Social Sciences, Tibet's largest cultural research center, which has plans to cooperate with a U.S.-based university in an exchange of professors and students.

Tibetan culture came about from the merging of Indian Buddhism and that from Han-inhabited areas with the indigenous religion, explained Danzim, deputy secretary of the regional Communist Party Committee.

"For generations, Tibetans have been working hard to keep the system intact," he added.

Because the region was isolated from the rest of the world, Tibetan culture is still a mystery to many people, and 40,000 foreign tourists came last year alone.

When Tibetan performers staged songs and dances and a Tibetan opera troupe toured the United States last April, the local media claimed a "Tibetan craze" was sweeping the country.

An exhibition of Tibetan cultural artifacts also caused a stir at its Paris opening and the show was later invited to Japan and Federal Germany.

"As Tibet opens up to the rest of the world, culture should take the lead," Danzim said.

This year's cultural exchange calendar for Tibet includes a performing troupe to visit the United States, students from the Tibetan Art School to participate in an international dance competition, a cultural artifacts exhibition in Japan, and U.S. writers to visit Tibet with their Tibetan counterparts also visiting the United States.

"We should show more of our culture to the world," said Qamba Puncog, director of the Tibetan Regional Cultural Office.

"Foreigners are interested in Tibetan culture and find it easy to understand," said Qi Mei, who worked at last year's Paris exhibition.

As Tibet expands cultural exchange with the rest of the world, foreign influence has had its effects. One cassette tape now on sale in Lhasa, the region's capital, features Tibetan folk music accompanied by electronic instruments.

"We cannot handle all the subjects foreign scholars are interested in," said Huang Wenhuan, the academy's vice-president. "And sometimes it's hard to find the right partner."

Ye Jisi, another cultural official, said, "We have limitations and we make selections from the increasing numbers of foreign civilian and official invitations."

North Region

Beijing Boosts Exports in 1st Half of Year *OW0607092788 Beijing XINHUA in English* 1357 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Beijing exported 550 million U.S. dollars-worth of industrial, agricultural, and sideline products in the first half this year, an increase of 22 percent compared with the same period last year.

A spokesman for the Beijing Municipal Economic and Trade Committee said that the export value of garments, carpets, jewelry, drawnworks, and electronic, machinery, chemical, and light industrial products increased more than 40 percent between January and June this year compared with the same period in 1987.

He said, in the past few years Beijing has exported more than 1,000 commodities to more than 130 countries and regions. The export value reached 880 million U.S. dollars in 1987.

The spokesman attributed the increase in exports to the introduction of the contract system to export-oriented enterprises, improvement in financing, and the adoption of a series of measures encouraging export producers.

The spokesman also announced that investment in joint ventures run by Chinese and foreign firms in the capital had totalled 3,750 million U.S. dollars by the end of June this year, including 1,750 million U.S. dollars from foreign investors.

Beijing Sets Up Force Transducer Joint Venture *HK0507133188 Beijing CEI Database in English* 5 Jul 88

[Text] Beijing (CEI)—Beijing Utilcell Force Transducer and Load Cell Company Ltd., the first Sino-foreign joint venture in the field, was established here recently.

The new venture, jointly funded by three Chinese organizations and two foreign firms, has a total investment of 1 million U.S. dollars with the Chinese side holding more than 46 percent of the shares.

The company plans to turn out 24,000 force transducers a year with an annual output value of 24 million yuan. It is expected to go into production by the end of this year.

According to the 30-year contract, the foreign side will be responsible for marketing 55 percent of the total output outside the country.

The foreign partners are the Utilcell Company of Spain and the Serco Company of Belgium.

Russian Oblast Delegation Visits Inner Mongolia *SK0507105988 Hohhot Inner Mongolia Regional* Service in Mandarin 1030 GMT 3 Jul 88

[Text] A five-member economic and trade delegation from Chita Oblast in the Soviet Union, headed by (Aburamov), first deputy chairman of the Chita Oblast Executive Committee, arrived in Hohhot by train on the morning of 3 July. This is the first time a Chita Oblast economic and trade delegation has paid a friendly visit to our region.

During its stay in Hohhot, the delegation will hold extensive talks with our region on the issues of barter trade, economic and technological cooperation, the processing of imported materials, and labor service.

At 1730 on 3 July, Bu He, chairman of Inner Mongolia Region, met at (Xincheng) Hotel with First Deputy Chairman (Aburamov) and all members of the delegation. At the reception, Bu He extended a warm welcome to the USSR guests for their visit to the region and talked with (Aburamov) in a cordial and friendly manner.

Joining the reception were Pei Yingwu and Liu Zuohui, vice chairmen of the region; Zhou Junqiu, secretary general of the regional government; and responsible comrades of the regional Economic and Trade Department and the regional Foreign Affairs Office.

After the reception, Chairman Bu He hosted a banquet in honor of the USSR guests.

Inner Mongolia's Wang Qun Inspects Daxinganling *SK0507085688 Hohhot Inner Mongolia Regional* Service in Mandarin 1030 GMT 30 Jun 88

[Text] From 21 to 25 June, Wang Qun, secretary of the regional party committee, and Alatan Aoqier, vice chairman of the regional government, inspected some banners, cities, and forestry bureaus in the Daxinganling Forest Zone. Comrade Wang Qun gave important opinions on ways to deepen the reform of the forestry structure and put forward a new overall forestry developmental structure—developing forestry to make the people rich.

Wang Qun, Alatan Aoqier, and their party inspected the economic construction situation of Oroqen Autonomous Banner, Ergun Left Banner, Yakeshi City, the (Dayaochu) Farm Administrative Bureau, the (Keyunhe) Forestry Bureau, the (Binghe) Forestry Bureau, and the (Tulihe) Forestry Bureau.

During his inspection tour, Comrade Wang Qun called on the forestry zone to deepen reform and make the people rich through developing forestry.

He said: The Daxinganling Forestry Zone plays a key role in balancing the ecology of northeast China as a whole. The Daxinganling Forestry Zone is one of China's key timber production bases. So, protecting and using its forest reserves is a matter that not only relates to the current four modernizations but also concerns the long-term interests of future generations. We must bring into play the functions of the 170,000 forestry staff and workers and mobilize the 900,000 residents of the forestry zone jointly to protect and use forest reserves in an effort to realize the goal put forward by Comrade Zhou Enlai during his lifetime of ensuring increasingly more and better forest reserves, keeping the hills eternally green, and using the forest reserves forever.

He said: We must develop forestry in order to make the people rich. The people will not be rich if forestry is not developed. While rejuvenating forestry, we should make an overall plan to make the 900,000 people in the forestry zone become rich simultaneously. We should rely on forestry to bring into play the forestry zone's advantages of having more forest reserves and organize and encourage the vast number of the people there to engage in forest protection, afforestation, forest product processing, and the overall development of the forestry zone's natural resources so that they become rich in the course of rejuvenating forestry.

With regard to the issue of building the Hulun Buir League Economic Experimental Zone with the efforts provided by the forestry zone, Comrade Wang Qun said: The forestry zone shall enjoy the policies and powers regarding the construction of experimental zone delegated to Hulun Buir League. Meanwhile, the autonomous region will be able to delegate the powers needed by the forestry zone. Items conducive to the development of the forestry zone and to the interests of the country and the people and which are able to promote the development of productive forces should bravely be developed. The autonomous region must turn on the green light for developing these items. Some policies that cannot be defined at a certain time should first be carried out on a trial basis so that we can examine and summarize them in the course of practice.

The regional leading organs should further emancipate their minds, become braver, and promote the progress in conducting reform and opening up to the outside world. The forestry zone should rely on reform and opening to the outside world to solve the difficulties in developing the economy and natural resources and should grasp the opportune moment to build Daxinganling into a modernized powerful forestry zone.

Tianjin's Li Meets With Italian Delegation
SK0307024088 Tianjin TIANJIN RIBAO
in Chinese 9 Jun 88 p 1

[Text] On the evening of 8 June, Li Ruihuan, mayor of Tianjin, met at Yangbin Hall with (Brown Dini), director of the Sea Transport Department of Italy, and major

members of the senior economic delegation of the Lombard Regional Government of Italy and extended a warm welcome to the guests for their visit to the municipality on behalf of the municipal government and people.

Li Ruihuan congratulated the guests on the opening of the Lombard regional technological and product exhibition in Tianjin and expressed that he would try his best to make this exhibition a success. He believed that through this exhibition, cooperation between Tianjin Municipality and Lombard Region would be expanded with positive results. (Brown Dini) said that they visited Tianjin with the purpose of understanding Tianjin. Through this exhibition, the mutual understanding and cooperation have been strengthened.

Joining the reception were Vice Mayors Nie Bichu and Zhang Zhaoru; responsible persons of departments concerned; and (Bini), commercial counsellor of the Italian Embassy in China.

Northeast Region

Heilongjiang Border Trade Exhibition Opens
SK0507095588 Harbin Heilongjiang Provincial
Service in Mandarin 2100 GMT 1 Jul 88

[Text] The 1988 summer Heihe commodity sales exhibition and economic and technological cooperation trade talks opened on 1 July in the border city of Heihe.

The trade talks are a border trade activity of the largest scale in our province and are cosponsored by Heihe City and Amur Oblast of the Soviet Union. The Blagoveshchensk City economic and trade delegation headed by (Ximengyunsu), vice chairman of the Amur Oblast Executive Committee, was invited to attend the opening ceremony of the trade talks.

Personnel of more than 350 plants and work units from 15 provinces and municipalities, including Beijing, Shanghai, Sichuan, Guangdong, and Liaoning, were attracted to the trade talks.

Three exhibition halls and more than 600 special counters were set up in the trade talks activity. More than 10,000 kinds of commodities were displayed at the exhibition.

The Amur Oblast trade delegation will order goods according to the samples to be displayed and shall hold talks on trade, economic, and technological cooperation with some of our country's plants and relevant responsible departments. Some of our country's commodities will be transported to Blagoveshchensk for a sales exhibition.

Jilin's He Zhukang on Urban Collective Economy
SK0507083188 Changchun Jilin Provincial Service
in Mandarin 2100 GMT 30 Jun 88

[Text] At the provincial conference held on the morning of 30 June to discuss the theory on the urban collective sector of the economy, He Zhukang, secretary of the provincial party committee and governor, said that we should regard the development of productive forces as the standard for readjusting the structure of ownership and deciding the scale of enterprises. Individuals are allowed and encouraged to develop industries that are suited to them. At the same time, collectives are permitted and encouraged to develop industries that are suited to them.

The proportion of urban collective enterprises in the province's total enterprises is lower than the national average level. This is an important factor which affects Jilin's economic development. Accelerating the development of the urban collective economy is a strategic task for rejuvenating Jilin.

Specialists and scholars who participated in the conference and comrades from departments in charge of the practical work relating to the urban collective economy talked extensively about the issues of the position and functions of the urban collective economy, the reform of the ownership system, the improvement of enterprises' inherent operational mechanism, and the creation of a relaxed external environment and made suggestions on deepening the reform of urban collective enterprises.

The Jilin Provincial Society of Urban Collective Economy was set up after the conference.

Jilin's He Zhukang Inspects Private Enterprises
SK0507113688 Changchun Jilin Provincial Service
in Mandarin 2100 GMT 3 Jul 88

[Text] Comrade He Zhukang, secretary of the provincial party committee and governor, travelled recently to Dongliang and Dongfeng Counties to investigate and study the development of private enterprises. In recent years, private enterprises have developed rapidly in Liaoyuan County. Comrade He Zhukang fully affirmed it.

Comrade He Zhukang said: To promote the development of the commodity economy, we have reduced restrictions on ownership. However, some private enterprises worry that this policy will not last long. This worry is not necessary. In addition, private enterprises should not worry about the expansion of their production scale. Such enterprises are allowed to expand their scale so long as they engage in business within the limits permitted by the laws and policies and pay taxes in line with regulations. If an enterprise has earned money, it should be encouraged to expand its production in scale and output with a view to yielding still greater efficiency. If possible,

managers of private enterprises are also allowed to contract and lease state- or collectively run enterprises in order to fully exploit their ability and wisdom.

Comrade He Zhukang stressed repeatedly: Private enterprises should pay attention to the quality of their products in order to be responsive to customers and society, and to the enterprises themselves. Product quality must be ensured. If such enterprises pay no attention to product quality, they will lose confidence and cannot hold their ground in the market.

He Zhukang pointed out: Private enterprises should also depend on science and technology to develop themselves. Enterprises that pay attention to science and technology will have a market, yield profits, and further develop. Managers of such enterprises should pay attention to science and technology and invite technological personnel to effect scientific and technological progress. Meanwhile, private enterprises should organize their workers to study skills every year in order to improve their technological expertise so that they will foster talents of their own.

After inquiring about and investigating workers' wages, working hours, and material benefits, Comrade He Zhukang said: Most private enterprises are carrying out the fixed-amount wage system. However, those enterprises with relatively stable working personnel may implement the wage system of giving a premium based on length of service and piece-work. In giving wages, consideration should be given to the amount of the worker's labor and contributions to enterprises.

Private enterprises should also attach importance to workers' physical and mental health, should give protection to workers, and should gradually improve the workers' working conditions and material benefits on the basis of developing production.

Northwest Region

Shaanxi Sets Up New Economic Development Zone
HK0607030788 Xian Shaanxi Provincial Service
in Mandarin 2330 GMT 5 Jul 88

[Excerpts] The provincial government held an on-the-spot executive meeting at Weinan City on 4 July. Governor Hou Zongbin, Vice Governors Xu Shanlin, Sun Daren, and Wang Shuangxi, special adviser Zeng Shenda, and responsible comrades of over 20 departments and bureaus attended the meeting, which listened to and discussed the initial plan of the Weinan Prefectural CPC Committee and Commissioner's Office and the Weinan City people's government on establishing an economic development zone in Weinan, together with a report on the preparatory work for this zone. Governor Hou Zongbin announced then and there that the establishment of this zone is approved.

The plan for setting up this zone was proposed by the Weinan Prefectural Commissioner's Office and the Weinan City people's government at the beginning of May. This plan has made reference to the successful experiences in operating similar zones in the coastal areas and the interior. It calls for the gradual establishment of an economic development zone in Weinan City and in (Baiyang) and (Liangtian) townships which are about 4 km from Weinan. [passage omitted]

Hou Zongbin said at the meeting: In building the Weinan Economic Development Zone, we should actively promote the reforms and be bold in carrying out experiments ahead of time, but we must not go through the red light. We must have the pioneering spirit and be bold in exploration, but we must not get divorced from reality. We must create a relaxed environment for the zone, but not at others' expense. We must rely on creating conditions to promote our own rolling development, and should not rely on the state taking charge of and resolving all problems.

Xinjiang Seeks Foreign Cooperative Projects
OW0607045088 Beijing XINHUA in English
1420 GMT 4 Jul 88

[Text] Beijing, July 4 (XINHUA)—Northwest China's Xinjiang Uygur Autonomous Region has published details of 93 projects for which it is seeking cooperation with businesspeople from foreign countries, Hong Kong and Macao.

According to Chairman of the Xinjiang Uygur Autonomous Region Tomur Dawamat today, the projects involve agriculture, animal husbandry, energy, transportation, communications, and raw materials.

At a news brief here today, the chairman said cooperation in light industry, textiles, food processing, petrochemicals and nonferrous metals are also welcome.

The projects include import of advanced technology and equipment, as well as equipment necessary to increase the efficiency of the region's existing plants, he said.

The Xinjiang regional government has recently announced preferential provisions for the encouragement of foreign investment. These measures are aimed at

eliminating and abolishing restrictions standing in the way of potential investors, reducing taxes on foreign investment, and simplifying approval procedures.

Xinjiang, covering 1.6 million sq km and with a population of over 14 million, boasts untapped water resources, fertile farmland, plenty of sunshine, abundant grassland, and other natural resources.

The region produces over 300 kinds of precious medicinal herbs, cashmere, and other animal by-products, and is also well known as a producer of oil, coal, and nonferrous metals.

To date, the region has established trade relations with more than 50 countries and regions all over the world, and has attracted investors from 21 countries and regions.

The westward extension of the Lanzhou-Xinjiang Railway in northern Xinjiang is expected to link up with rail connections in the Soviet Union in 1990, the chairman said. This, plus the opening of three other border crossings, will boost the region's commercial ties with the Soviet Union and countries in Eastern Europe and western Asia.

Meanwhile, it is learnt that an economic and technological cooperation symposium will be held in Urumqi, the capital city of the region, in the middle of September.

Xinjiang Karamay Oilfield Production Increases
HK0507132788 Beijing CEI Database in English
5 Jul 88

[Text] Urumqi (CEI)—The production in one of China's oldest oilfield, the Karamay Oilfield in the Western Xinjiang Uygur Autonomous Region, in the western Xinjiang Uygur Autonomous region keeps on growing.

Since the beginning of the year, a workforce of 20,000 has drilled 70 new wells that have produced 700,000 bbls of oil.

Another oilfield in east Junggar Basin, 700 kilometers from Karamay, turned out 7,000 bbls a day in June.

An oil official said the oil is being transported to the refinery in Urumqi, capital of the region.

President Li To Liberalize Mainland Policy
HK0207075788 Beijing ZHONGGUO XINWEN
SHE in Chinese 0685 GMT 2 Jul 88

[Report: "Li Teng-hui Says Mainland Policy Should Be Cautious and Moderate"]

[Text] Hong Kong, 2 Jul (ZHONGGUO XINWEN SHE)—According to Taipei sources, not long ago, KMT [Kuomintang] leader Li Teng-hui pointed out: One of the focuses of Taiwan's present policy is that its own political reforms take precedence over opening itself to the mainland. However, he stressed that Taiwan's future mainland policy will be more liberal.

Li Teng-hui said this at a meeting with Ma Shu-li [7456 2885 4409], Cnau Shao-kang [6392 1421 1660], and other members of the "Delegation of the Grand League for the Reunification of China on the Basis of the Three People's Principle To Visit the United States."

Some members of the delegation suggested to Li Teng-hui that Taiwan should adopt a positive mainland policy. Li said: Our mainland policy should be positive but not risky, forward-looking but not impulsive, and should not be based on romantic dreams. Our present "three nos" mainland policy does not completely imply inaction. We should think before we leap and proceed in a step-by-step manner.

Li Teng-hui praised some delegation members' suggestions on lifting the ban on academic, cultural, and sports exchanges across the Strait and on allowing mainland students studying in the United States to visit Taiwan as having much reference value, saying that the authorities were carefully evaluating them. He said: Taiwan's mainland policy will become more and more liberal in future. However, we should give the authorities a little time. By the end of this coming December, a positive mainland policy will be introduced.

Mainland KMT Wishes Congress 'Smooth-Sailing'
OW0607082188 Beijing XINHUA in English
0745 GMT 6 Jul 88

[Text] Beijing, July 6 (XINHUA)—The Revolutionary Committee of the Chinese Kuomintang Central Committee in Beijing has wished the Chinese Kuomintang in Taiwan (KMT) "smooth-sailing" in its up-coming 13th Congress.

The congress will be the most important meeting on the island since the death of Chiang Ching-kuo in January.

A spokesman for the Revolutionary Committee said the Taiwan authorities have adopted a series of enlightened measures on the island in recent years and "these measures have been welcomed by people on both sides of the Taiwan Strait."

One of the measures was the loosening of restrictions last November that allowed Taiwan people to visit relatives on the mainland. Since then about 150,000 people have made the trip.

The spokesman hoped the Taiwan authorities would continue to expand contacts and promote peaceful reunification with the mainland.

The spokesman said both the Revolutionary Committee of the Chinese Kuomintang and the Chinese Kuomintang revere the memory of Dr. Sun Yat-sen who devoted his life to the country's unification and the vigorous development of the Chinese nation.

He said his committee is willing to meet and talk about state affairs with the Chinese Kuomintang at any time or place.

The spokesman noted that since Li Teng-hui became chairman of the Chinese Kuomintang, he has said many times that there is only one China, that China must be reunified and that he was opposed to independence of Taiwan.

"We appreciate Li's clear attitude," the spokesman said.

Mainland Requests Commodity Inspection Ties
OW0107123388 Beijing XINHUA in English
1154 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—The State Administration for the Inspection of Import and Export Commodities of China today appealed to Taiwan authorities to establish commodity inspection ties to deal with rapidly growing trade across the Taiwan Strait.

"The inspection cooperation between the mainland and Taiwan is beneficial not only to consumers but also to the development of trade and economy and advance of technology," said Zhu Zhenyuan, director of the State Administration.

Since 1979 indirect trade across the Strait has grown rapidly. Last year it topped 10 billion Hong Kong dollars.

Zhu said there have been quality problems from both sides. For this reason it is important to establish contact, he said.

He said China has been carrying out commodity inspections for 60 years. "We were of the same family 40 years ago," he said. He proposed "direct, regular or irregular contact" between the mainland and Taiwan.

"We would go anywhere, even to the third place such as Hong Kong, Thailand and Singapore," he said.

Zhoushan Islands Trade Directly With Taiwan
HK0507020188 Beijing CHINA DAILY
in English 5 Jul 88 p 2

[By staff reporter]

[Text] Zhoushan, Zhejiang Province—While the rapidly growing trade between China's mainland and Taiwan is mainly handled via a third party—usually Hong Kong—Zhoushan Island is doing face-to-face business with the island province.

Before 1979, the Zhoushan Islands, the country's largest archipelago scattered in the East China Sea about 324 sea miles from Taiwan, was a first-line military position on full alert for conflicts with Taiwan.

Direct trade between the islands and Taiwan began when controls on political and economic contacts with the mainland were relaxed in recent years, although Taiwan authorities still ban direct trade.

Xinlong Trade Corporation, Zhoushan's only company engaged in business with Taiwan, saw its trade volume with the island province grow to more than \$500,000 since its establishment in 1984.

The islands, the country's largest fishery, has rich fish resources and fish is a lion's share of the goods Taiwan businessmen buy from the corporation. The fish sell better in Taiwan than on the mainland.

In addition, Chinese medicine, special rural products, food, drinks, chinaware and handicrafts are also in great demand.

However, in comparison with the mainland's about \$3 billion trade volume with Taiwan last year, the corporation did very little. In the next year, trade between the mainland and Taiwan is expected to reach \$3.6 billion.

"Our trade volume could have been much more if there weren't so many limits placed on us," said Ye Changchun, general manager of the corporation.

Economic-Cultural Group Visits Shanghai
OW0307131488 Shanghai Voice of Pujiang
in Mandarin to Taiwan 0900 GMT 25 Jun 88

[Text] A Taiwan economic and cultural group, headed by Dr (Fan Guangming), chairman of Taiwan's China Society for Industrial and Commercial Management, attended a forum with people from Shanghai's banking, economic theoretical, and press circles yesterday. The

title of the forum was: Economic Development on Both Sides of the Taiwan Strait. During the forum, Dr (Fan Guangming) discussed the 10 secrets in Taiwan's economic miracle, including promotion of foreign trade, hardworking spirit, and respect for knowledge.

CAAC To Cater to Taiwan Visitors
OW0107140888 Beijing XINHUA in English
0730 GMT 1 Jul 88

[Text] Beijing, July 1 (XINHUA)—The Civil Aviation Administration of China (CAAC) is making further efforts to facilitate Taiwan compatriots' visit on the mainland, according to a report in today's "CHINA DAILY".

Three new measures are taken: More passenger planes will be provided for the most popular air routes; the administration and utilization ratio of the planes now available will be improved; and a system will be set up between CAAC and the Chinese Travel Service (CTS) to co-ordinate the plans and services they offer to travellers.

This is aimed to change the situation that many Taiwan compatriots had to change their itineraries and rearrange their whole travel plans in the first half of this year because of the shortage of flights.

An official from CTS said it was scheduled to receive about 170,000 Taiwan visitors this year, but the number would be more than 400,000, most of them in tour groups.

With the coming of the peak travel period, it is estimated that more than 100,000 Taiwan compatriots will come to the mainland in the next three months.

The problem is made worse by the fact that most of the Taiwan compatriots crowd to the most famous tourist cities, such as Beijing, Xian, Shanghai, Hangzhou, Guilin and Guangzhou.

To ease the shortage of scheduled flights, each week during the first half of this year CAAC arranged 1,500 additional flights, for a total of more than 169,000 seats—increases of 25.9 and 28.5 percent, respectively, over the same period last year.

Also, CAAC has 200 to 300 of its airplanes make extra flights each month, including charter flights.

Kuomintang National Congress To Open 7 July
*OW 0607033588 Taipei CNA in English 0243 GMT
6 Jul 88*

[Text] Taipei, July 6 (CNA)—The 13th Kuomintang [KMT] National Congress will open in a colorful ceremony at the Chungcheng Stadium at Linkou, suburban Taipei, at 9:30 A.M. July 7. Altogether 1,611 delegates and observers will take part in the weeklong congress.

Delegates and observers will begin registration at the Grand Hotel at 2 P.M. Wednesday and a tea party will be held at the hotel at 4:00 P.M. to welcome the delegates. All the delegates and observers will first pay respects to Dr. Sun Yat-sen, the founding father of the Republic of China, at the Dr. Sun Memorial Hall in downtown Taipei at 7:30 A.M. Thursday.

During the opening ceremony at the Chungcheng Stadium at Linkou Thursday morning, Acting Chairman Li Teng-hui will first give an opening address, to be followed with reports on the nations political affairs and party affairs to be made by Premier Yu Kuo-hua and Li Huan, secretary general of the KMT Central Committee, respectively.

The first plenary session of the KMT National Congress will be held Friday morning at the Chungshan building on Yangmingshan, suburban Taipei, to elect the chairman of the party.

At the second plenary session Friday afternoon, the delegates will be briefed on the congress agenda and hear a report on national defense.

On Saturday, they will hear a report on mainland affairs and discuss party affairs at the third plenary session. A name list of the 13th Central Advisory Committee members will be made public. Ten panel discussions will be held in the afternoon to discuss various proposals made by the delegates.

On Sunday morning, the fourth plenary session will center its discussions on the Three Principles of the People, the fundamental party guidelines, and regulations governing the election of members to the KMT Central Committee. In the afternoon, the list of nominees for the election of members to the Central Committee proposed by the party chairman will be announced.

On Monday, July 11, the fifth plenary session in the morning will discuss the partys platform and the sixth session in the afternoon will deliberate revisions of the partys charter and the proposal for the renovation of party affairs.

On Tuesday, July 12, the seventh plenary session will discuss the partys policies and the election of members of the Central Committee will be held at the eighth session in the afternoon.

On Wednesday, July 13, the delegates will approve both the Presidium members of the 13th Central Advisory Committee and the declaration of the congress at the 9 and 10 plenary sessions. The closing ceremony will be held at 5:00 P.M., to be followed with a gala farewell party at the China Sports and Cultural Center in downtown Taipei at 7:30 P.M.

The 1st plenary meeting of the 13th Central Advisory Committee will be held Thursday morning and the 1st plenary meeting of the 13th Central Committee will be held in the afternoon.

Li May Consider Reelection Law Nullification
*HK0607064088 Hong Kong AFP in English
0425 GMT 6 Jul 88*

[Text] Taipei, July 6 (AFP)—Taiwan President Li Teng-hui is considering abolishing a 28-year law which guarantees indefinite terms for the island's president and vice president, a Chinese-language newspaper said here Wednesday.

Quoting unnamed sources, the INDEPENDENCE MORNING POST said Mr. Li "intends to push for the nullification of Article 3 of the Temporary Provisions Effective During the Period of Communist Rebellion which allows the president and vice president to seek unlimited re-election." Mr. Li told parliamentarians recently that the provisions can be revised now that martial law had been lifted as long as national security is not threatened, the newspaper said in a front-page story.

Mr. Li is the first native Taiwanese head-of-state, succeeding late President Chiang Ching-kuo in January.

The Constitution restricts the terms of Taiwan's head-of-state and his deputy to two six-year terms. The provisions to the Constitution, in effect since 1960, had enabled Mr. Chiang's father, Chiang Kai-shek, to remain five terms in the presidency before he died in 1975. Chiang Kai-shek, leader of the ruling Kuomintang (KMT), fled to the island in 1949 from mainland China after losing a civil war to the Communists.

The temporary provisions were adopted by the National Assembly, or electoral college, when the generalissimo's second term expired to allow him to seek indefinite leadership. The privately-owned paper said abolishing the provisions would be a step towards constitutional democracy.

Meanwhile, KMT legislator Hung Yu-chin is preparing a petition to the party's 13th congress to call for the restriction of presidential terms, sources said, adding that party authorities support the drive in principle.

The congress opening Thursday is expected to endorse Mr. Li as KMT chairman and elect a generation of younger party leaders.

President Promises Parliamentary Rejuvenation
OW0307101288 Taipei International Service
in English 0200 GMT 3 Jul 88

[Station commentary: "Li Promises Parliamentary Rejuvenation"]

[Text] Rejuvenation of the nation's parliamentary bodies is just around the corner, according to President Li Teng-hui, who made the promise in an "after-meeting" meeting with two majority party legislators on Thursday [30 Jun]. Li asked the two young turk lawmakers, Chao Shao-kang and Li Sheng-feng, to chat for a bit after a meeting they attended with a group of private citizens.

Li told the reform-minded men that the government should find a solution to the parliamentary reform issue in the legislative session that begins in September. The president called the issue his top priority, and said the program to rejuvenate the parliament must be finalized soon.

In the past year or so, pressure has been mounting not only from opposition groups and various public interest groups, but also within the majority party itself to implement parliamentary reform. The specific issue concerns how to make the parliament more representative of the areas currently under the control of the government of the Republic of China. The representative bodies have not changed their make-up since the first nationwide elections in China in 1948. In recent years, criticism has mounted against the maintenance of that system. Some see it as the antithesis of democratic development on Taiwan, while a more mild view is that the system, though it has played an important role in the maintenance of Taiwan's security vis-a-vis Communist China over the years, is nevertheless outdated and in need of reform. Both Chao and Li happen to be two of the Taiwan-elected legislators who are spearheading efforts to bring about that reform at a quickened pace.

The president also spoke with the legislators about two other issues, mayoral elections and the next week's national congress of the majority party, the Kuomintang.

On mayoral elections, both Chao and Li told the president they strongly advocate opening up the mayorships of Taiwan's two largest cities, Kaohsiung and Taipei, to direct popular elections. Currently, the two posts are filled by presidential appointments. All other Taiwan cities already have direct popular elections for mayor.

President Li responded that he is equally supportive of the idea, and that a decision on that should also be readied for announcement before the end of the year. As mayor of Taipei back in 1981, Li was among the first politicians to advocate direct elections for Taipei and Kaohsiung city mayors.

On the upcoming National Party Congress, Li told the legislators that he supports the idea of having the party chairman elected by delegates attending the national congress through secret ballot. Currently, the chairman is selected by the party Presidium, then approved by the delegates by voice vote. Li has been serving as interim chairman since the death of the Mr. Chiang Ching-kuo in January. Expectations are that Li will be elected, whether by the old system, or by a possible new format, at next week's congress.

After the meeting, both Chao and Li said they were heartened to find that President Li is very open-minded about the need for reforms. They were confident the president would keep his promises.

President Speaks at Overseas Chinese Seminar
OW0607035288 Taipei CNA in English 0238 GMT
6 Jul 88

[Text] Taipei, July 6 (CNA)—President Li Teng-hui, as the Kuomintang [KMT] acting chairman, exhorted the Overseas Chinese delegates to the 13th KMT National Congress Tuesday to retain a sense of both historic obligation and mission so as to create a brighter future for the Republic of China [ROC].

The acting chairman, in the company of KMT Secretary General Li Huan, Director Cheng Hsin-hsiung of the KMT department of Overseas Affairs, and other ranking officials, visited the Central Library where a seminar on KMT overseas affairs was being held. The acting chairman extended his highest regards to the Overseas Chinese delegates present and praised their faithfulness to the nation and the KMT.

Addressing the delegates, Li said that during the past year, many important incidents that have occurred both at home and abroad have had a very strong impact on the nation and the KMT. Li recalled that the ROC lost its beloved leader President Chiang Ching-kuo, that the Government then, following the late President Chiang's testament, accelerated the pace of implementing constitutional democracy, that controls on foreign exchange were eased, that the ban on the registration of new newspapers was lifted, and that Taiwan residents are now permitted by the Government to visit the mainland for family unions.

At the time, the United States and the Soviet Union have held arms limitation and summit talks that show the previous distinct lines between the two ideological camps are blurring, Li noted.

Li said that at this crucial moment, the 13th KMT National Congress has significant meaning, for the main purpose of the congress is to pool wisdom, to inherit tradition, and to create a brighter tomorrow. He quoted the late presidents Chiang Kai-shek and Chiang Ching-kuo in exhorting the Overseas Chinese delegates to have firm confidence in the party's cause.

The Three Principles of the People have already proved themselves successful while Communism has failed. "We therefore must have firm confidence and work together to create a brighter future for the nation," Li said.

The acting chairman hopes the Overseas Chinese delegates will present their suggestions on the five main themes of the 13th KMT National Congress and the various problems facing the nation during this period of democratization and internationalization.

Wu Jui-kuo, a delegate representing ROC students studying in the U.S., later read a message saluting the Acting Chairman Li Teng-hui and showing their sincere support of Li to become the next KMT chairman.

Taiwan Governor Chiu Chuang-huan also spoke during the seminar. He said that the per capita income of the residents in the Taiwan area increased by 25 times during the past 30-odd years, from 1952's U.S. \$195 to 1987's U.S. \$4,991. The governor attributed the results to the implementation of the Three Principles of the People in the Republic of China.

Statement Critical of Yu Cabinet Circulating
OW0307131988 Taipei International Service
in English 0200 GMT 26 Jun 88r

[Text] A statement highly critical of the Yu Kuo-hua cabinet is being circulated among delegates to the ruling Kuomintang [KMT] 13th National Congress next month in order to seek their endorsement. The document was sponsored by a group of KMT legislators, National Assembly deputies, professors, and graduate students who will attend the upcoming party congress. They termed the Yu cabinet as being too conservative to respond to public expectations.

The statement declared that what we need is a cabinet that is creative and forward-looking, and able to lead the nation through the present transitional period very quickly. The statement called on the Yu cabinet to make a decision on the following issues before the party congress ends: an end to the ban on government employees visiting their relatives on the mainland, election of a revamped parliament, popular election of the mayors of Taipei and Kaohsiung, and an end to economic speculation and the rise in government credibility. The statement warned that unless the decision on these issues are made in time, the call for a new cabinet will become a tide beyond resistance.

Premier Yu Thanks Legislators for Support
OW0507041888 Taipei CNA in English 0256 GMT
5 Jul 88

[Text] Taipei, July 5 (CNA)—Premier Yu Kuo-hua and Vice Premier Lien Chan visited the Legislative Yuan Monday to thank the legislators for their hard work and support in passing the fiscal 1989 national budget.

They were warmly greeted by Legislative Yuan President Nien Wen-ya and his deputy Liu Kuo-tsai.

The Yuan successfully completed its 81st session Monday after screening the second reserve fund of fiscal 1988 national budget, the 1989 budgets for units affiliated with the Central Government, and the 1989 budget for the Taiwan Tobacco and Wine Monopoly Bureau.

During the session which opened Feb. 23, the legislators enacted 16 laws, the fiscal 1989 national budget, and various treaties; rescinded 2 laws, and resolved 677 civilian petitions.

Yu, in response to reporters questions, confirmed that Chao Yao-tung, chairman of the Council for Economic Planning and Development, had tendered his resignation but that it had not been accepted.

Soviets Detain Three Fishing Boats at Sakhalin
HK0607060888 Hong Kong AFP in English
0604 GMT 6 Jul 88

[Text] Taipei, July 6 (AFP)—The Soviet Union has detained three Taiwan fishing boats and at least 41 fishermen for allegedly entering its territorial waters, a Kaohsiung Fishery Association spokesman said here Wednesday. The association has asked the International Red Cross to negotiate for the return of the vessels and crew being held by the Soviet Navy at Sakhalin, the spokesman said.

He identified the ships as the 617-ton Hsin Man Hung with a crew of 21, the 375-ton Chang Ta Number One with a crew of 20, and Shun Feng Number 11. The size and number of crew of the third ship were not immediately available. The three boats left the southern Taiwan port of Kaohsiung where they were based in early June, the spokesman said, adding that it was not clear when they were detained.

The International Red Cross has been asked to handle the issue as Taipei and Moscow do not have diplomatic ties and the Nationalist government shuns official contacts with communist countries.

Commentary on President's Policy Clarification
OW0207062788 Taipei International Service
in English 0200 GMT 2 Jul 88

[Station Commentary—Li Clarifies the Three Nos]

[Text] Speaking to a group of private citizens who recently returned to Taiwan from a visit to the United States, President Li Teng-hui said on Thursday [30 Jun] the government's Three Nos policy is not entirely inflexible. The president made the remarks to members of the Grand Alliance for the Reunification of China, a citizens group devoted to bridging the gaps between Taiwan and

Mainland China. The group held meetings with Chinese-American associations, and also met with several Mainland Chinese scholars while in the States.

The Three Nos policy embodies the basic principles of having no official contacts, no negotiations, and making no compromises with the Chinese Communist regime in Peking. The policy has been in effect ever since 1949, when the Government of the Republic of China [ROC] moved its seat to Taipei.

Over the years, the "Three Nos" policy has been criticized as being too rigid or inflexible. Some see the policy as an "ossified cold war relic" that has no place in current times.

At least until the last year or so, however, the ROC Government did not budge on the policy. It was understood that the Government meant what it said when it used the word "never" to describe the potential for change to a more flexible policy.

Now, that "never" has indeed changed, as President Li indicated in his talks with the grand alliance people. For example, "no contact" originally meant any contact. Now, it specifically refers to official contact.

Since November of last year, the government has permitted Chinese on Taiwan to visit relatives on the Chinese mainland. And, it has increasingly turned a blind eye toward indirect trade contacts with the mainland in Hong Kong and elsewhere.

President Li told the group that the government is considering ways to expand the liberalization of policy toward Mainland China. He noted that the government was in the process of deciding whether or not to let mainland students studying abroad to visit Taiwan, and whether or not to make the current one-way traffic, from Taiwan to there, more two-way, by letting mainland scholars and journalists visit Taiwan.

But Li sounded a cautious note on these aspects of the policy toward Mainland China. He said that, although the mainland policy should be forward-looking, it should not be the result of rash decisionmaking. He added that plenty of initiative would be needed to formulate the policy, but that the government could never shirk its responsibility to look after the nation's security needs. The president has said on several occasions that liberalization of the mainland policy cannot be isolated from the security risks involved.

Although mainland-Taiwan affairs are the business of the grand alliance people, President Li revealed to them that for now, changes in the mainland policy will take a back seat to a more important matter at hand: reforms in the structure of the nation's Parliament. He called such reforms imminent and described them as more necessary than changes in the mainland policy.

Priorities aside, President Li also told the group that the government was waiting for an "opportune moment" to take action on further liberalizing the policy toward Mainland China, and thus making the Three Nos more flexible.

GIO Director Speaks on Need To Recover Mainland
OW0507045488 Taipei CNA in English 0245 GMT
5 Jul 88

[Text] Taipei, July 5 (CNA)—The Republic of China [ROC] must recover the China mainland if it is to become a strong nation, and the Chinese people on the mainland must support the ROC's bid to reunify China under freedom and democracy if they wish to enjoy free and prosperous lives, a ranking government official said Monday.

"The China mainland's hope lies in Taiwan and Taiwan's future is linked closely with the future of the mainland," Shaw Yu-ming, director general of the Government Information Office [GIO] told a meeting of the ruling Kuomintang's Taipei City Committee.

To most foreigners, the ROC was only a "economic miracle" before mid-July last year, Shaw said. But since the Government lifted the emergency decree on July 15, 1987, and embarked on a series of political reforms, the nation's democratic development has become equally well known worldwide and has won wide acclaim in the international community.

The peaceful and swift transition of government leadership after the passing of the late President Chiang Ching-kuo on Jan. 13 further impressed the world with the ROC's increasingly stable democracy, he added.

Although increasing demonstrations have threatened the rule of law, Shaw said he believes such phenomena are just inevitable growing pains during the process of democratic development.

The ROC's democratization is irreversible, Shaw stressed, because Taiwan has become a pluralistic society in which no single social force can monopolize the direction of social development and all political differences must be settled through dialogue and compromise.

Moreover, the ROC's democratic development will be gradual and peaceful because Taiwan has become a post-industrial society and, judging from the precedents of advanced countries, democratic development at this stage must be achieved through "renovation" rather than "revolution," the GIO chief said.

In fact, the ROC's democratic development has reached a mature and stable stage at which the functioning of the political system has been normalized and institutionalized with public opinion being reflected by elected representatives and mass media becoming a decisive factor in the Governments policy-making process, Shaw pointed out.

On ROC policy towards the China mainland, Shaw reiterated the three-point appeal made by President Li Teng-hui in April, which called on the Chinese Communists to abandon their attempts to take Taiwan by force, to abolish their plan to forcefully implement their "one country, two systems" overtures, and to give up its totalitarian rule.

The ROC has showed its friendliness to the China mainland by allowing people in Taiwan to visit their relatives on the mainland and by attending such international events as the annual ADB (the Asian Development Bank) meeting with mainland delegates also in attendance, Shaw said.

The Chinese Communists, however, have not responded with the same friendliness and are still trying to isolate the ROC in the international community, Shaw noted. Therefore, he added, the ROC will continue to be cautious in its relations with the mainland by limiting the relations between the two sides of the Taiwan Straits to private, one-way, indirect, and gradual contacts.

Radio Commentary on Mainland Demonstrations
OW0507050888 Taipei International Service
in English 0200 GMT 5 Jul 88

[Station Commentary—"A Summer of Discontent in Communist China"]

[Text] UPI's man in Mainland China reports this week that Communist China seems headed for a "summer of discontent." A recent spate of demonstrations by peasants indicates a rising temperature among those who are most dislocated by the reforms being tested in Peking.

Last week, about 1000 peasants in the small hamlet of Fangshan outside Peking clashed with police over inflation and other problems arising as a result of Peking's limited play with economic reforms in the past year. The protest was unusual for a rural area, but UPI thinks it was an opening salvo in a summer that could be as long on tempers as it is on hot days.

Chinese Communist leaders have been put on guard by recent protests by students in Peking, taxicab drivers in Sian and now, the peasants in rural areas.

UPI's writer asserts that "far beyond the individual outbreaks lies general dissatisfaction over unprecedented double-digit inflation, widening income gaps,

and burgeoning official corruption. Most believe the problems stem from the economic reforms of Teng Hsiao-ping, who is trying to "unchain the economy from rigid central control."

Western analysts are said to believe that Peking fears the protests could become more widespread as the summer draws on. But they also predict that the Chinese Communist regime is prepared to show that it will not tolerate such dissent and civil unrest.

The quelling of the Fangshan protest was probably a good indication of things to come. There, the peasants marched to protest the dumping of polluted water into their irrigation canals and fields. Instead of issuing an apology or taking steps to correct the error, the Peking authorities ordered a violent crackdown on the protest. Using clubs and electrified batons, the police beat the protestors, injuring hundreds and detaining as many more. The peasants complained that the Communist authorities are not listening to the common people, reported UPI. They say they had no other choice but to publicly protest.

UPI further reports that there appears to be a growing, yet largely unconfirmed trend of work stoppages, slowdowns, strikes, and other forms of worker and peasant protest over discontent with inflation and other economic grievances.

The taxi drivers in Sian were upset with privileges given to government-run taxi co-ops. They staged a convoy protest throughout the central mainland city.

UPI calls the official response more enlightening than the protest which engendered it. The wire service said the Chinese Communists' propaganda machinery is quickly churning out warnings to people, and that it is preparing to flex more police muscle, such as in the case of Fangshan, where brute force was used.

UPI's prediction of an oncoming summer of discontent seriously overlooks one far from minor detail: The masses of Chinese people on the Chinese mainland have been discontent with Communist rule for years. Such discontent comes to a boil slowly, however, because people have been conditioned to fear Communist suppression. But just because Mainland Chinese have a high boiling point, does not mean it can't be reached.

No Delegation Planned for ICSU Beijing Meeting
OW0207060088 Taipei CNA in English 0320 GMT
2 Jul 88

[Text] Taipei, July 2 (CNA)—The Republic of China [ROC] will not send a delegation to the annual meeting of the International Council of Scientific Unions [ICSU] to be held in Peiping in September, Chen Yu-chu, spokesman for the Ministry of Foreign Affairs, said Friday.

The decision, Chen explained, is based on guidelines set by the Executive Yuan in June 1979 that allow members of private academic bodies to attend international meetings in Communist-ruled areas other than the Chinese mainland.

The spokesman pointed out that the ICSU, at its 22nd meeting held in 1982, unilaterally changed the name of the ROC'S representative body from Academia Sinica to "The Academy Located in Taipei, China."

The fact that the ROC has continued to attend ICSU meetings since 1982 under the name "The Academy Located in Taipei, China" proves that the nations absence at this years meeting has nothing to do with the name issue.

Singapore's Prime Minister, Delegation Arrive

Have Dinner With Premier Yu

OW0407045488 Taipei CNA in English 0255 GMT
4 Jul 88

[Text] Taipei, July 4 (CNA)—Premier Yu Kuo-hua and his wife entertained Singapore Prime Minister Lee Kuan Yew and his wife at a dinner at the Grand Hotel Sunday.

Prime Minister Lee and his wife arrived in Taipei Sunday afternoon for a three-day visit.

The dinner party was held in a very cordial atmosphere with friendly chat continuing through the evening. The two leaders exchanged views on how best to further strengthen cooperative relations between the two countries.

Among the other guests present at the dinner were Singapore Finance Minister Richard Hu and Labor Minister Lee Yock Suan. Also attending the party included Vice Premier Lien Chan, Foreign Minister Ting Mou-shih, Defense Minister Cheng Wei-Yuan, Education Minister Mao Kao-wen, Justice Minister Shih Chi-yang, Economics Minister T. H. Li, Communications Minister Kuo Nan-hung and their wives.

Meets With President Li

OW0507033188 Taipei CNA in English 1548 GMT
4 Jul 88

[Text] Taipei, July 4 (CNA)—President Li Teng-hui and Mrs. Li hosted a dinner party in honor of visiting Singapore Prime Minister Lee Kuan Yew and his wife at the Taipei Guest House Monday.

Other guests present at the dinner were Singapore Finance Minister Richard Hu and Labor Minister Lee Yock Suan. Also attending the party included Presidential Secretary General Shen Chang-huan, Foreign Minister Ding Mou-shih; Gen. Hau Pei-tsun, chief of the general staff; Jeffrey L. S. Koo, adviser to the Executive Yuan; and Hu Hsin and Chiang Hsiao-wu, ROC's [Republic of China's] representative and deputy representative in Singapore, and their wives.

During the 2-hour-long dinner, being held in a very cordial atmosphere, the 2 leaders fully exchanged views on how best to further strengthen cooperative relations between the 2 countries.

Prime Minister Lee arrived here Sunday for a 3-day visit. He will leave for Seoul Tuesday.

Premier Yu Meets Alaskan Governor

OW0207055488 Taiwan CNA in English 1505 GMT
1 Jul 88

[Text] Taipei, July 1 (CNA)—Premier Yu Kuo-hua Friday met with Alaskan Governor Steve Cowper and his wife at the Executive Yuan for an exchange of views on ROC [Republic of China]-U.S. Relations.

The premier expressed his belief that the traditional friendship between the ROC and the U.S. will be further enhanced through the frequent exchange of visits between government officials and civic leaders of the two countries.

The Cowpers were accompanied during the meeting by Vice Foreign Minister John H. Chang.

During their stay in the ROC, the Cowpers, who arrived here June 29, will call on other ranking government officials and visit economic and industrial establishments.

Hong Kong

Editorials View U.S. Downing of Iranian Plane

'Regret Can't Heal Scars'

HK0607022188 Hong Kong HONGKONG STANDARD
in English 5 Jul p 10

[Editorial: "Regret Can't Heal Scars of Horrific Gulf Tragedy;" passage in italics as published]

[Text] *"The U.S. Government deeply regrets this incident"*

The words above, framed by the Joint Chiefs of Staff, hardly begin to reflect the tragedy which occurred in the Persian Gulf at the weekend. Nearly 300 innocents perished after an American warship mistook an Iranian airliner for a "hostile" and blasted it out of the sky with missiles.

The Americans have been quick to explain that their ship was engaged at the time against Teheran's gunboats and believed the radar blip was an Iranian F-14 fighter jetting in to join the battle. How could they be so wrong? Given the sophistication of the high technology warships operated by the United States in the Gulf, why did the terrible error occur? An investigation has been ordered, the results of which, we trust, will be made public.

Soon after a Korean Airlines jumbo jet was destroyed by a Soviet missile above Sakhalin Island in September 1983, a Russian air force officer from the Soviet Far East regional command was said to have been seen in the bar of Moscow's closed hotel for military personnel. He was alone, according to the story which went round Moscow, and drinking. Some said he was weeping into his vodka. True or not the story illustrates the fact that many Russians—including some in the armed forces—did feel guilty about the deaths of 269 passengers on KAL 007. They realised that man's inhumanity to the innocent and defenceless is the ultimate obscenity, regardless of who displays it.

The shock, outrage and revulsion registered around the world in the wake of that 1983 incident caused a marked, if temporary, deterioration in East-West relations. Horror at the scale of the disaster, sympathy for the bereaved, and anger against those responsible fused in a general determination that such a catastrophe should not happen again. America, Russia and Japan agreed, in 1986, to set up a hotline to prevent a repetition of that ghastly affair. Even the most optimistic observer, however, could not currently foresee the establishment of a similar hotline linking Ronald Reagan's Washington and the Ayatollah's Teheran.

Greece's Socialist Prime Minister Andreas Papandreu caused a certain amount of consternation in Western capitals five years ago when he refused to join his country's Western allies in condemning the downing of

the Korean jetliner. "The point is that if such a plane came into Greece, we would have downed it," he said at the time. "And I am sure the United States would have downed it. This is the rule, this is the game." Little attention was paid at the time to that sadly prescient remark. Far more comment was aroused by a remarkable article by Colonel General Sergei Golubev in the Soviet journal AVIATION AND COSMONAUTICS. General Golubev, who as air force deputy commander was in charge of training, said "extreme action" against intruders was justified in the defence of Soviet airspace, but pilots should make every effort to identify planes properly and force them to land (nothing about pressing missile buttons).

Commenting on this latest incident, which President Reagan has described as "a terrible human tragedy," Admiral William Crowe, chairman of the U.S. Joint Chiefs of Staff, said American forces in the Gulf had been warned of possible attacks from Iran over the Independence Day weekend. U.S. military officials also have noted that Iran has moved most of its fighters from a base inland to the coastal Bandar Abbas site in recent weeks.

Of course, the deaths of 300 people in the Gulf area is only a tiny fraction of the daily slaughter that is visited upon that tragic area. Iran and Iraq, engaged in a suicidal battle for supremacy in the region over the past eight years, have lost maybe millions of soldiers and civilians. And the war seems no nearer to conclusion.

For its part, the West acted assertively in sending naval forces to the Gulf—where oil tankers were the daily targets of Iranian, and Iraqi attacks. There may be some now who will call for the withdrawal of American and other forces from the region in the wake of this abominable accident. We believe they should be ignored. Merchantmen plying the Gulf need, and deserve, protection from the military madness of both the Iranians and the Iraqis. As in all wars, it is the innocents, like those on board the Iranian jetliner, who suffer and pay the greatest price—their lives. Iran has already begun to rattle the sabre, and there must be no doubt that they will hit back. There will also be no doubt that, once again, innocent people will pay with their lives for the madness of the Gulf war.

Explanation 'Not Enough'

HK0607022988 Hong Kong SOUTH CHINA
MORNING POST in English 5 Jul 88 p 24

[Editorial: "Explanations and Excuses Not Enough"]

[Text] The explanation for the shooting down by the United States Navy of an Iranair commercial jet in the Gulf on Sunday is less than satisfactory so far. Reactions from some quarters over the death of 290 innocent passengers on the scheduled flight also leave much to be

desired. It has been excused as more of an unfortunate accident of war, rather than as a tragedy of huge proportions that should have been avoided.

Despite categorical dismissals of any comparison with the downing of a Korean airliner by the Soviet Union five years ago, there are inescapable parallels. In that incident a Korean Airlines jumbo jet with 269 people on board was shot down after apparently straying into Soviet airspace near heavily restricted military bases, in circumstances that are still partly unexplained.

At that time, President Ronald Reagan talked of the "disgust that the entire world feels at the barbarity of the Soviet Government in shooting down an unarmed plane. Words can scarcely express our revulsion at this horrifying act of violence". Those comments will inevitably be thrown back at him, despite his prompt and appropriate expression of grief and regret over the Iranair disaster.

It is totally unacceptable for his senior military aides, or some of his allies, to make excuses in a grudging manner, or to claim that Iran only has itself to blame for turning the Gulf into an international war zone. Sympathy for the relatives of the dead should not be muted, despite Iran's long and guilty record of causing death and destruction in the shipping lanes of the Gulf. The West is expected to occupy the high moral ground in the conflict, whereas the fundamentalist rulers in Teheran are usually dismissed as mad, bad and dangerous.

Mrs Margaret Thatcher, who has been Mr Reagan's staunchest ally, described the destruction of the Iranair jet by a U.S. missile as an act of self defence, arguing for the "right of forces engaged in such hostilities to defend themselves". But the airliner was alleged to be on a regular run which took it above a skirmish between a U.S. cruiser and Iranian gunships. The U.S. warship possesses the world's most sophisticated radar defence system, which is supposed to detect the difference between a twin-seat fighter plane and a 300-seat passenger airliner. The U.S. Navy says that the airliner ignored warnings from the cruiser to stay clear of the area, but the Iranian pilot is not alive to verify the claim.

Key questions remain unanswered, like: How was there a failure to identify the type of aircraft? Did the pilot actually receive the warnings? Had the airliner strayed from its designated route? Was there human error, panic, or computer failure involved?

Undoubtedly, the U.S. has delivered to Iran a major propaganda weapon by destroying the Dubai bound jet. The tragedy will provoke a new round of anti-American sentiment in Middle East countries. Yet the White House policy in the Gulf is fundamentally right, despite Sunday's ghastly mistake. The U.S. must resist any pressure to turn away from its aim of ensuring the safety of international shipping in the region against the lawless, fanatical attacks of the regime in Teheran.

Common Strategy Sought for 1997 Handover
HK0307032088 Hong Kong SUNDAY STANDARD
in English 3 Jul 88 p 1

[By Matthew Leung and Yau Shing-mu]

[Text] Hong Kong Government officials are quietly attempting to persuade their Chinese counterparts into adopting a common strategy for the handover of sovereignty on July 1, 1997. THE STANDARD has learnt that one Government option would be to involve Beijing before the July deadline in the setting up of the first post-1997 government. But officials from both sides are moving with extreme caution into this hypersensitive area because it might lead to an "image problem" for both governments.

China might regard it as "a loss of face" if it is seen to be cooperating with the British administration in engineering a post-1997 administration which should be the sole domain of China. This type of cooperation could leave the Hong Kong Government open to more criticism about being a "lame duck administration."

"But this is the price we have to pay for a smooth transfer of power," a government source said.

The Hong Kong government is apparently worried about any drastic administration changes affecting the confidence of investors. Some senior officials hold the view that the Basic Law should not contain too much detail as this would hamper the operation of the future administration.

China previously dismissed the "through-train" concept which proposed the setting up of a provisional SAR government under British administration before the handover. But it is understood that Hong Kong officials, through their "extremely good contacts" at various levels on the Chinese side drafting the Basic Law, are selling these views.

Some Hong Kong officials describe the process as a "gradual persuasion" exercise, but their Chinese counterparts describe it as a "brainwashing exercise."

Well-placed Chinese and Hong Kong Government sources say the Government has adopted closed-door lobbying tactics in line with the current amicable relations between Beijing and London. These tactics were employed during the recent familiarisation visits by mainland Basic Law drafters, led by two deputy directors of China's State Council's Hong Kong and Macao Affairs Office, Mr Li Hou and Mr Lu Ping.

In addition to briefing their visitors on the operations of the Government, senior officials also addressed specific articles of the Basic Law draft pointing out that some were either undesirable or impractical. The officials also made many remarks and suggestions about the draft.

"The high-ranking officials were well prepared and fairly knowledgeable about the draft law," one Chinese official said.

Some officials told the drafters that the Basic Law should not be too detailed and some "policies" should not be enshrined in it, or the local government would lose the flexibility needed to run the administration.

Joint Liaison Office Chief Interviewed

HK0207041988 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 26, 27 Jun 88 pp 22-23

[Article by Han Wuyan (7281 5294 7159): "Ke Zaishuo on China Setting Up a Liaison Office in Hong Kong"]

[Text] Abstract—The Chinese and British offices of the Sino-British Joint Liaison Group are to be set up in Hong Kong. These offices will act according to the Sino-British Joint Declaration.

—The Sino-British Joint Liaison Group is an organ for liaison and not an organ of power. It shall play no part in the administration of Hong Kong. Nor shall it have any supervisory role over that administration. It shall work and conduct its activities within its functions and powers. It shall not interfere in the internal affairs of Hong Kong.

—When Hong Kong people truly see the prospects of Hong Kong, the problem of "confidence" will be gradually solved. The present problem of immigration, which everyone is talking about, will not greatly harm Hong Kong.

—The Chinese and British Governments have taken a firm stand in comprehensively, faithfully, and accurately implementing the Sino-British Joint Declaration. They have a firm commitment to maintain the prosperity and stability of Hong Kong. This is the prerequisite and guarantee for the success of the Joint Liaison Group. [end abstract]

The Chinese and British offices of the Sino-British Joint Liaison Group will be set up in Hong Kong on 1 July. Although Ambassador Ke Zaishuo, the chief representative of the Chinese side, is to leave for Hong Kong soon and will be extremely busy with his work, he still found time to be interviewed by our reporter, and answered our questions on the issue of setting up his office in Hong Kong.

In his introductory remarks, Ke Zaishuo said that the offices of the Chinese and British sides of the Sino-British Joint Liaison Group will be set up in Hong Kong in accordance with Annex II of the Sino-British Joint Declaration. He read a relevant passage of Annex II: "From 1 July 1988 the Joint Liaison Group shall have its principal base in Hong Kong." He continued to say: The Sino-British Joint Declaration clearly defines the functions of the Sino-British Joint Liaison Group as: to

conduct consultations on the implementation of the Joint Declaration; to discuss matters relating to the smooth transfer of government in 1997; to exchange information and conduct consultations on such subjects as may be agreed by the two sides. Therefore, it is appropriate to say that the two sides of the Liaison Group setting up their offices in Hong Kong is basic to putting into effect the relevant stipulation that the Joint Liaison Group shall have its principal base in Hong Kong. After the establishment of their offices in Hong Kong, the Chinese and British members will have closer contact in order to study problems. They will further understand the reality of Hong Kong, and their work efficiency will be further enhanced. As far as the Chinese side is concerned, working in Hong Kong will provide it with a good opportunity to become more familiar with and understand the problems of Hong Kong better.

Ke Zaishuo stressed: It is said that some people worry about the setting up of the Chinese office in Hong Kong. They worry that the Chinese office will become another power center. Actually, it is unnecessary for them to do so. The Joint Declaration has stated that the Sino-British Joint Liaison Group is an organ for liaison and not an organ of power. It shall play no part in the administration of Hong Kong. Nor shall it have any supervisory role over that administration. We shall only conduct activities within the scope of the functions of the Joint Liaison Group. We shall not interfere in the internal affairs of Hong Kong. Of course, sometimes the Joint Liaison Group shall discuss matters which look like the administration of Hong Kong. But they are connected with the implementation of the Joint Declaration. In the meantime, these are matters relating to the transfer of government in 1997. This is within the scope of the Joint Liaison Group's functions.

Ke Zaishuo pointed out: Actually if we review the work of the Sino-British Joint Liaison Group over the past 3 years, these unnecessary doubts and misgivings can be cleared. Over the past 3 years, the Joint Liaison Group held nine plenary meetings in Beijing, London, and Hong Kong. Meanwhile, more than 30 meetings of experts were also held. The Joint Liaison Group has done a lot to solve some problems which should be solved during the transitional period. It is well known that we have satisfactorily solved the problem of Hong Kong status in the three main international organizations including GATT, Multifiber Arrangement and Customs Cooperation Council. Under the present situation where trade protectionism is gaining ground, the settlement of the problem is of great significance to Hong Kong. It is helpful to maintaining Hong Kong's status as an international trade and financial center. In the meantime, up to now, the Liaison Group has also solved the problem of Hong Kong's position in other international organizations, such as the Universal Postal Union, World Meteorological Organization, International Maritime Organization, International Telecommunication Union, UN Conference on Trade and Development, International Labor Organization, (Asian and Pacific

Economic and Social Committee), UN Food and Agricultural Organization, and the Asian Development Bank, and so on. This will ensure Hong Kong's rights and duties in these international organizations, and the continuance of its position in them after 1997. This is absolutely necessary for maintaining Hong Kong's position as a vigorous international city.

Ka Zaishuo continued: Over the past 3 years, the group has constantly been working to make proper arrangements for the smooth transfer of government. Now the problem of identity cards and travelling documents, which Hong Kong people show concern for, has been satisfactorily solved. After 1997, Hong Kong residents will continue to enjoy the freedom and convenient conditions for doing business, studying, travelling and visiting their friends and relatives abroad. Regarding other matters which are directly connected with the transfer of government such as shipping registration system, the issue of civil aviation association, the new pension scheme for civil servants, and convergence and transition of the political system, defense, security, terms of service for judicial personnel, and so on, the Joint Liaison Group has examined and discussed them, or coordinated information, or officially and unofficially exchanged views, and so on. Agreements have been reached on some issues. Progress to varying degrees has also been made on some other problems.

In a word, as far as the Chinese side is concerned, we regard "one country, two systems" as a guiding thinking of our work. We regard various stipulations contained in the Joint Declaration as the base of our work. We regard the reality of Hong Kong as our starting point, or point of departure.

We support and do things which are beneficial to the smooth transfer of government in 1997. Everything is done for the prosperity and stability of Hong Kong, and for the immediate and long-term interests of Hong Kong.

"The work of the Liaison Group over the past 3 years has been affirmed by the Chinese and British Governments," said Ke Zaishuo. He added: "We are very happy that the work of the Liaison Group has been welcomed by persons of various circles in Hong Kong. More people have further understood the nature and tasks of the Group, and trusted the group." He stressed again: after setting up offices in Hong Kong, the nature and tasks of the Sino-British Joint Liaison Group will be the same as the past. He stated: "Members of the Chinese side, as always, will closely cooperate with members of the British side to make efforts in the interest of the joint implementation of the Joint Declaration, the smooth transfer of government in 1997, peaceful transition, and the prosperity and stability of Hong Kong."

While answering reporters' questions on the way to view the problem of immigration in Hong Kong, Ke Zaishuo said: The problem of immigration is attributed to various factors. Some people have told me that there is a

tradition of population flow in Hong Kong. In addition, some countries have increased the quotas and relaxed the conditions for immigration in recent years. Of course, some people immigrate and leave Hong Kong because they lack confidence in the future of Hong Kong. Actually, the Chinese leaders have repeatedly reiterated: The basic guidance of "one country, two systems" will not change. The existing system in Hong Kong will remain unchanged for 50 years. Actually, it will not change even after 50 years. We mean what we say. Of course, some people not only want to hear what we have said, but also see what we have done. It is understandable for them to do so. Therefore, we should strengthen understanding and trust. We should be patient. As far as the Sino-British Joint Liaison Group is concerned, we have always hoped that through our efforts and work, we would show with practical examples that the various stipulations contained in the Joint Declaration are being gradually realized. We have hoped to help people to understand that the unprecedented idea on "one country, two systems" will eventually become an unshakable reality. When people truly see the future of Hong Kong, I believe that the problem of "confidence" will be gradually solved. The present problem of immigration, which everyone is talking about, will not greatly harm Hong Kong.

When our reporter asked Ke Zaishuo about his thoughts on the work over the past 3 years, Ke Zaishuo stressed: "It is my profound belief that the Chinese and British Governments have taken a firm stand on comprehensively, faithfully, and accurately implementing the Sino-British Joint Declaration. They are firmly determined to maintain the prosperity and stability of Hong Kong. This is the prerequisite and guarantee for the success of the Liaison Group. In addition, over the past 3 years, we have been working in a friendly and cooperative atmosphere in which both sides can understand each other. It is appropriate to say that the rational and proper settlement of each and every problem is the result of our serious and meticulous discussion and great efforts. Of course, it is very important to have patience in order to continuously expand our mutual understanding."

Ke Zaishuo also told the reporters: The permanent members of the Chinese side are working on full-time. They include the chief representative and two of the four representatives. The Chinese and British offices will establish their constant contacts and links through certain procedures. As far as specific work is concerned, this will be the main focus of the meeting between the chief representatives of the Chinese and British sides on 1 July.

Joint Declaration Guarantees Urged in Basic Law
HK0307025688 Hong Kong SOUTH CHINA
SUNDAY MORNING POST in English 3 Jun 88 p 2

[By Vicky Wong]

[Text] All the guarantees made in the Joint Declaration could be given full effect in the Basic Law without this

being inconsistent with the Chinese constitution, according to constitutional law expert and former Hong Kong Bar Association chairman Mr Denis Chang. This approach called for highly complex "mental gymnastics", but Hong Kong had valid grounds to insist that the Joint Declaration's "one country, two systems" and "high degree of autonomy" promises be kept because of how the Chinese interpreted their own constitution, he said.

Mr Chang, a Queen's Counsel and a Basic Law Consultative Committee member, stressed that the only long-term solution was to amend the Chinese constitution, a step which he was optimistic China's leaders would themselves see the need for as the rule of law further developed in the country. The Chinese constitution should ideally be amended in time for the Basic Law's promulgation to ensure there were no legalistic inconsistencies between the two, he said.

Even if this were not possible because of time or other factors, the Basic Law could still incorporate all the guarantees made in the Joint Declaration by adopting a "functional approach" towards interpreting the Chinese constitution. This was possible but it would be unsatisfactory in the long term because the different nature of two systems in Hong Kong and China would inevitably lead to friction.

Mr Chang noted that the system in Hong Kong was a highly-developed legalistic one based on the rule of law and established jurisprudence principles. The system in China at present was still largely based on political rather than legal norms, although it was developing towards the latter. And this would lead to problems on China's resumption of sovereignty.

For example, some of the language used in the Basic Law, which was based on statements of policy made in the Chinese constitution, might be perfectly workable under China's system of political interpretation but could prove disastrous under Hong Kong's legalistic approach. Under Hong Kong's system of legalistic scrutiny of statutes, such statements of policy could lead to a paralysis of government and inhibit law reform.

Promises [subhead]

The present fears in Hong Kong mainly centred on several clauses in the Chinese constitution which could give rise to legalistic problems in drafting a Basic Law that gave effect to the promises made in the Joint Declaration.

Article 1 of China's constitution stated, for instance, that "the socialist system is the basic system of the People's Republic of China. Sabotage of the socialist system by any organisation or individual is prohibited".

Article 5 stated that "no law or administrative or local rules and regulations shall contravene the constitution...No organisation or individual may enjoy the privilege of being above the constitution and the law".

However, both the Joint Declaration and the present draft of the Basic Law guaranteed that the capitalist system in Hong Kong would be maintained for 50 years after the transfer of sovereignty, an inconsistency with the Chinese constitution which many feared could invalidate the local document.

Mr Chang noted, however, that socialism was not defined in the Chinese constitution and whether the maintenance of a separate system, capitalism, in Hong Kong contravened the mother document or not could be interpreted differently. He noted that the Chinese authorities themselves insisted that the Chinese constitution was not irreconcilable with the Basic Law by virtue of Article 31. Because of various distinctions, Mr Chang said that the Chinese constitution was only descriptive of what existed in the country at present rather than prescriptive of how the country might be further divided.

So while the constitution could be applied without problem to the existing structure, once an SAR [Special Administrative Region] had been instituted, a different situation existed which called for a new approach to be decided on by the NPC. Given the Chinese method of interpreting statutes, any decision by the NPC to give full effect to a Basic Law which realised the Joint Declaration's promises would not breach the constitution. On the other hand, the NPC might decide to resolve the problem by decreeing, as it had the power to do, further functions to the Standing Committee such as the authorisation to annul the territory's laws.

Mr Chang disclosed that at a Basic Law Consultative Committee meeting to discuss elections to the National People's Congress, members were asked to refer to regulations which were applicable to municipalities, even though these would have been completely inapplicable to Hong Kong.

"The cardinal principle should be that the Basic Law should be the law of the SAR," he said. "One should not look at the constitution and start applying provisions not meant for the SAR."

But even if this were accepted, problems could still arise later in deciding which provision in the Chinese constitution should apply to the SAR and which not. This was why it was important to have the Basic Law clearly spelt out to define the relationship between the SAR and the central government so as to permit no avenue by which laws not meant for the territory could later be promulgated here.

Businesses May Raise Capital for Mainland Firms
OW0607054788 Beijing XINHUA in English
0043 GMT 6 Jul 88

[Text] Hong Kong, July 6 (XINHUA)—Hong Kong could become a major capital raising center for Chinese enterprises, according to a local financial expert.

Speaking at a seminar on stock exchange of Hong Kong here Tuesday, Steve Chu, executive director of the Corporate Finance, CEF Capital Ltd., said, "the single most important issue facing Hong Kong today is its future relationship with the mainland." He said Hong Kong's economic relationship with the mainland is equally important as the political aspects of this relationship.

He pointed out that the mainland interests of a number of Hong Kong listed companies are so substantial that an investment in these companies is effectively an investment in the mainland. Conversely, an increasing number of active Hong Kong listed companies have substantial mainland related shareholders.

Mainland related companies like CITIC [China International Trust and Investment Corporation], China Resources, China Merchants, China Travel, China Everbright, Yue Xiu Enterprises and others have also invested heavily in real estate and shares in banks, finance companies, manufactures, restaurants and retailers.

"It has been estimated that Chinese investments now exceed six billion U.S. dollars, making the mainland the largest investor in Hong Kong," Chu said.

He said he hoped the time will come when industrial enterprises and service organizations in the mainland seek public funds in Hong Kong to finance their mainland operation.

Acting Financial Secretary Hails Overseas Banks
OW0207121688 Beijing XINHUA in English
0018 GMT 2 Jul 88

[Text] Hong Kong, July 2 (XINHUA)—The growing number of overseas banks operating in Hong Kong have helped make Hong Kong a major center in the international banking network, according to a financial official here.

More than 400 overseas banks from 51 countries are now represented in Hong Kong, including three quarters of the world's top 100 banks, said David Nendick, Hong Kong's acting financial secretary, at a dinner marking the 25th anniversary of the Hong Kong Center of the Chartered Institute of Bankers.

He noted that when the Hong Kong center of the institute was established in 1963, there were only about 70 banks here. Fewer than half were overseas banks from perhaps a dozen countries.

He said that the Hong Kong center, with the input of acquired wisdom from other banking centers, also helped develop the internationalization of Hong Kong's banking sector.

Defense Costs May Cause Constitutional Crisis
HK0607075988 Hong Kong SOUTH CHINA
MORNING POST in English 6 Jul 88 p 1

[By Terry Lee]

[Text] The Hong Kong Government warned yesterday of a constitutional crisis if legislators attempted to block funds for the new Defence Costs Agreement today.

Speaking in support of the new nine-year pact signed with Britain, the Financial Secretary Piers Jacobs told a special meeting of legislators yesterday to approve the \$1.66 million needed to pay this year's garrison bill. Mr Jacobs said the Government would be placed in an awkward position if legislators did not support an agreement already approved by the Executive Council, Hong Kong's highest policy-making body.

He said if the money was not approved Hong Kong would be left not paying anything for the garrison this year and this would raise problems with Britain, which, he said, had hinted that Hong Kong would be forced to bear extra costs if another deal was sought. However, he acknowledged that the agreement had only been initialled and was not legally binding on the territory's Government.

Legislative Councillor Mr Andrew Wong said after the meeting that the Government had been wrong in failing to obtain the commitment of the Finance Committee before initialling the agreement. He said it was important that the Government secured the financial commitment, which could be referred to in the years to come when funding provisions were applied for.

Another councillor, Mr Martin Lee Chu-ming, insisted that members of the Finance Committee should vote down the fund application, to press the Hong Kong and British governments into a fresh round of negotiations. By throwing out the current agreement, Mr Lee argued, legislators were giving the Government full backing at the negotiating table. Even under such circumstances, the Hong Kong Government would face no legal liability because the agreement was not binding, he claimed.

Mr Lee said the deal had not been arrived at with the support of the entire legislature. However, Mr Lee admitted there were unlikely to be enough members to successfully block the fund application.

Members at today's Finance Committee meeting will be asked to note the terms of the defence agreement, under which Hong Kong will pay 65 percent of the \$9.5 billion garrison expenditure over the coming nine years. This year's bill will include a provision of \$1.4 billion for the payment of Hong Kong's annual cash contribution towards the garrison and another \$266 million as reimbursement to Britain for the value added tax and salaries tax on allowances incurred under the 1981 defence agreement.

Senior Legco [Legislative Council] member, Miss Lydia Dunn, said yesterday unless Hong Kong paid the money the territory's stability would be at stake. "I am sure that everyone agrees that the people of Hong Kong would like to see the stability of Hong Kong maintained and they are

prepared to pay a reasonable cost towards Hong Kong's defence," she said. Echoing the Government's appeal for support, Miss Dunn said councillors should support the pact which was arrived at after hard bargaining.

—The Ministry of Defence in London last night dismissed a Hong Kong television report that shipping registered in the territory would be charged for navy escort through the Gulf if the Legislative Council refused to ratify the Defense Costs Agreement. The report quoted Foreign Office sources as saying the British Government would bring in the new measure if the agreement was not ratified. But last night the Ministry of Defense said report had no foundation whatsoever. The Foreign Office also firmly denied the report.

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